MEDIUM TERM REVENUE & EXPENDITURE FRAME-WORK 2012/2013

FINAL BUDGET DOCUMENT

LEKWA LOCAL MUNICIPALITY

Table of Contents

PART 1 – ANNUAL BUDGET 2

1.1 MAYOR'S REPORT 2
1.2 COUNCIL RESOLUTIONS 4
1.3 EXECUTIVE SUMMARY 6
1.4 OPERATING REVENUE FRAMEWORK 8
1.5 OPERATING EXPENDITURE FRAMEWORK 18
1.6 CAPITAL EXPENDITURE 21
1.7 ANNUAL BUDGET TABLES - PARENT MUNICIPALITY 23

2 PART 2 – SUPPORTING DOCUMENTATION 49

2.1 OVERVIEW OF THE ANNUAL BUDGET PROCESS 49
2.2 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP 53
2.3 OVERVIEW OF BUDGET RELATED-POLICIES 56
2.4 OVERVIEW OF BUDGET ASSUMPTIONS 56
2.5 CAPITAL EXPENDITURE DETAILS 59
2.6 LEGISLATION COMPLIANCE STATUS 62
2.7 MUNICIPAL MANAGER'S QUALITY CERTIFICATE 65

List of Tables

Table 1 Consolidated Overview of the 2012/13 MTREF 7
Table 2 Summary of revenue classified by main revenue source 9
Table 3 Percentage growth in revenue by main revenue source 10
Table 4 Operating Transfers and Grant Receipts 11
Table 5 Comparison of proposed rates to be levied for the 2012/13 financial year 13
Table 6 Proposed Water Tariffs 14
Table 7 Comparison between current water charges and increases (Domestic) 14
Table 8 Comparison between current electricity charges and increases (Domestic) 15
Table 9 Comparison between current sanitation charges and increases, single dwelling- houses 16
Table 10 Comparison between current waste removal fees and increases single dwelling- houses 16
Table 11 MBRR Table SA14 – Household bills 17
Table 12 Summary of operating expenditure by standard classification item 18
Table 13 Repairs and maintenance per asset class 21
Table 14 2012/13 Medium-term capital budget per vote 22
Table 15 MBRR Table A1 - Budget Summary 24
Table 16 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification) 26
Table 17 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote) 28
Table 18 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure) 29

Table 19 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source 31
Table 20 MBRR Table A6 - Budgeted Financial Position 33
Table 21 MBRR Table A7 - Budgeted Cash Flow Statement 35
Table 22 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation 36
Table 23 MBRR Table A9 - Asset Management 38
Table 24 MBRR Table A10 - Basic Service Delivery Measurement 40
Table 25 IDP Strategic Objectives 54
Table 33 MBRR SA34c - Repairs and maintenance expenditure by asset class 59

List of Figures

Figure 1 Main operational expenditure categories for the 2012/13 financial year 20

Abbreviations and Acronyms

AMR	Automated Meter Reading
ASGISA	Accelerated and Shared Growth Initiative
BPC	Budget Planning Committee
CBD	Central Business District
CFO	Chief Financial Officer
CM	Lekwa Manager
CPI	Consumer Price Index
CRRF	Capital Replacement Reserve Fund
DBSA	Development Bank of South Africa
DoRA	Division of Revenue Act
DWA	Department of Water Affairs
EE	Employment Equity
EEDSM	Energy Efficiency Demand Side Management
EM	Executive Mayor
FBS	Free basic services
GAMAP	Generally Accepted Municipal Accounting Practice
GDP	Gross domestic product
GDS	Growth and Development Strategy
GFS	Government Financial Statistics
GRAP	General Recognised Accounting Practice
HR	Human Resources
HSRC	Human Science Research Council
IDP	Integrated Development Strategy
IT	Information Technology
kℓ	kilolitre
km	kilometre
KPA	Key Performance Area
KPI	Key Performance Indicator
kWh	kilowatt
ℓ	litre
LED	Local Economic Development
MEC	Member of the Executive Committee
MFMA	Municipal Financial Management Act Programme
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee
MPRA	Municipal Properties Rates Act
MSA	Municipal Systems Act
MTEF	Medium-term Expenditure Framework
MTREF	Medium-term Revenue and Expenditure Framework
NERSA	National Electricity Regulator South Africa
NGO	Non-Governmental organisations
NKPIs	National Key Performance Indicators
OHS	Occupational Health and Safety
OP	Operational Plan
PBO	Public Benefit Organisations
PHC	Provincial Health Care
PMS	Performance Management System
PPE	Property Plant and Equipment
PPP	Public Private Partnership
PTIS	Public Transport Infrastructure System
RG	Restructuring Grant
RSC	Regional Services Council
SALGA	South African Local Government Association
SAPS	South African Police Service
SDBIP	Service Delivery Budget Implementation Plan
SMME	Small Micro and Medium Enterprises

Part 1 – Annual Budget

1.1 Mayor's Report

Honourable Speaker, allow me to quote one of our leaders Dr Pixley ka Isaka Seme when he said, and I quote

"These divisions, this jealousy are the course of our wooers today" close quote.

As I am presenting this budget speech, aiming to promote the vision of our country of ensuring a better life for all, I must stress that when we work together we can do more, but if we are divided we will not achieve this vision.

Eighteen years into our young democracy and we are a nation on the rise. Thanks to the heroic sons and daughters of this country, who have laid down their lives and made the ultimate sacrifice, we are able to celebrate our young democracy and build a formidable nation in the process.

As acknowledged by our Premier Mr DD Mabuza during his State of the Province Address on 24 February this year, I want to re-emphasise 'that it was befitting that on the 8th of January this year in Mangaung, the ANC Centenary celebrations was used as a platform to celebrate and honour the sacrifices made by the sons and daughters of the soil, including our friends in Africa and beyond, who laid down their lives in our struggles for liberation and democracy.
Our indebtedness to these brave men and women will forever remain, for it is through them that we today, can enjoy the fruits of their hard fought struggle.'

Our Manifesto is guided by the Constitution and the Freedom Charter and it attempts to address certain key challenges that are still faced by our communities. In addressing these challenges, through our manifesto we aim to do the following:

- ✓ Build local economies to create more employment, decent work and sustainable livelihoods;
- ✓ Improve local public service delivery and broaden access to same;
- ✓ Build more united, non-racial, integrated and safer communities;
- ✓ Promote more active community participation in local government;
- ✓ Ensure more effective, accountable and clean local government that works together with national and provincial government

Through our manifesto we will build on the policies and strategic priorities initiated by this democratic government, which intends to deepen democracy by accelerating service delivery, much has been achieved in terms of access to electricity, housing, water, sanitation ,socio-economic and infrastructure development for our communities in Lekwa.

In line with our government's emphasis on the acceleration of service delivery, we can report that the IDP and Budget that is being tabled for approval, after having undergone an extensive public consultation and community participation processes through our ward-based meetings and in keeping with trends set by our State President, Jacob Zuma, our Minister of Finance, Pravin Gordhan and the Minister in the Presidency: National Planning Commission, Trevor Manuel, we have jumped on the social media platform bandwagon and on 27 February 2012 we created a group "Budget Tips for Matshidiso" on Facebook. This was aimed at reaching the youth audience who these days thrive on social media platforms like Twitter, MixIt and

Facebook. These youths might not have easy access to the internet and computers, but are most likely have a cellphone, with access to such platforms. Since creating the group, it now has 1,167 members. The launch of this page really encouraged debate among the youth about the forum and its usefulness. Yassen Pillow on the 2nd of April wrote:
"*I hope the comments will be taken into consideration. The budget should include the youth as they are the future of the town and as people are saying, job and business opportunities should be their top priority and unemployed graduates and by nest year this time we must see the change. Good luck to her, we are behind her all the way."*
The page received mixed reviews on its effectiveness, but it was quite encouraging when Jabulani Sibeko wrote this:
"*Guys, we as young people, we contribute to the demise of our town, we don't attend the community meetings, if there are community programmes initiated by the municipality we don't support. We allow our sports facilities to be vandalised by ourselves. We must also do some initiatives that will allow us not to be dependent on the municipality"* and he goes further on to say *"the now factor is what are you doing to make a simple change, except pointing fingers."*
Key matters that were raised through the Facebook page were inter alia the following:

- The establishment of a community radio station
- Bursaries, learner ships and internship in liaison with business and the private sector to ensure that graduateemployability
- Creating a conducive environment for job creation
- Creating an environment that can attract investment
- Upgrading and maintenance of sports and recreation facilities
- Youth and other social upliftment programmes

The detailed budget is contained in the budget book, but I will briefly highlight areas of sources of income and operational expenditure:
Major Sources of income which totals an Operating Revenue of R417, 685, 935 can be summarised as follows:

- Own Internal Revenue: R 333, 562 (79.86%)
- Grants and Subsidies: R 84, 123 (20.14%)

The following are the proposed tariff increases for the 2012/2013 financial year:

- Property Rates – 5%
- Water – 5%
- Sanitation – 5%
- Refuse Removal – 5%
- Cemetery fees – 5%
- Other Services (e.g. Rental of facilities) – 5%
- Electricity – 11.03%

I must also indicate that the Operating Expenditure also totals R417, 685, 935. The total Capital Expenditure amounts to R56, 846, 950.

Mindful of the various needs raised both through our community participation programmes and our Facebook page, we can only do so much within the budget that is available. For the 2012/2013 financial year, these are some of the capital projects to be undertaken:

- ✓ Water treatment Works for a raw water pump station – R 4 million
- ✓ Water purification works at Morgenzon – R 1 million
- ✓ Zoning of water networks and installation of bulk water meters – R 2,5 million
- ✓ Upgrading of Sports facilities R6,3 million
- ✓ Construction of multi-purpose halls in Wards 11 and 15
- ✓ Installation of VIP toilets and boreholes in rural areas

Without a doubt, the Municipality is doing everything possible to realise its manifesto priorities, but this cannot be done by the municipality alone. We need to engage and create strategic partnerships across the spectrum of our stakeholders! We must ensure meaningful participation in the mainstream economy to ensure that the local economy gets a boost through investment opportunities that will also create downstream beneficiation for our emerging entrepreneurs and co-operatives.

In order to build more united, non-racial, integrated and safer communities, we have currently approved the Spatial Development Framework in order to address this challenge. We will be working together with our Provincial Government and social partners to fast track the implementation of our SDF in order to address the disjointed approach and previous patterns of social development.

We will also promote more active community participation in local government and we will be holding a public participation Indaba on 10-11 July 2012 in order to strengthen our policy in public participation. We have budgeted more than R 1, 3 million for community participation including giving our ward committees a stipend and other related assistance. The registration process of a Lekwa Community radio station is at an advanced stage and we are currently waiting for the registration of the NPO with the Department of Social Services. We will also be hosting a Youth Summit on 8-9 June 2012.

To ensure more effective, accountable and clean local government that works together with national and provincial government, and in order to achieve this goal, we have re-aligned our departments to focus specifically on their respective developmental goals. All departmental HOD's will be held accountable for their departmental expenditures.
As I conclude, Honourable Speaker, I am reminded of the concluding statement in the Freedom Charter which reads:

> *"The freedoms we will fight for, side by side, throughout our lives, until we have won our liberty."*

1.2 Council Resolutions

1.2.1.1 ITEMS FOR CONSIDERATION

A74 APPROVAL OF ANNUAL BUDGET FOR 2012/2013 FINANCIAL YEAR AND MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF) 2012/2013 – 2014/2015 FINANCIALYEARS (6/1/1-2012/2013; 6/1/1-2013/2014; 6/1/1-2014/2015)

RESOLVED

(1) That the report of the Executive Mayor (Acting Municipal Manager) regarding the annual budget for the 2012/2013 financial year and the Medium Term Revenue and Expenditure Framework (MTREF) 2012/2013 – 2014/2015 financial years BE NOTED including the following:

(a) The principles upon which both the Operating Budget and Capital Budget have been based;

(b) Operating Revenue amounting to R 417, 685, 935;

(c) Operating Expenditure amounting to R 417, 685, 935 and Capital expenditure amounting to R 56, 846, 950;

(d) That the 2012/2013 budget for both Operating Expenditure and Capital Expenditure totalling to R 474, 532, 885;

(e) The proposed increase in the revenue budget on electricity sales by R 33, 704, 742 to cross subsidise other municipal services, envisaging that credit control measures that have been put in place will ensure that such revenue is realized;

(f) The 13.5% increase on electricity bulk-purchase approved by ESKOM;

(g) The 11.03% increase on electricity tariff on application made by Lekwa Local Municipality

(h) The proposed 5% increase on property rates tariffs and services charges for water, refuse, sanitation and other service;

(i) National Treasury Circular 58 and 59 of the MFMA which encourage municipality to eliminate non-priority spending;

(j) The decline in the current assets where the full year forecast indicates R 286, 365, 000.00 whilst the 2012/2013 MTREF indicates R 81, 592, 000.00, which must be further clarified;

(2) That the Draft budget proposals for the financial year 01 July 2012 to 30 June 2013 as contained in the Medium Term Revenue and Expenditure Forecasts for the financial years 2012/2013 to 2014/2015, BE APPROVED;

(3) That Council's Medium Term Revenue and Expenditure Forecasts for the financial years 2012/2013 to 2014/2015, as amended, BE APPROVED AND BE SUBMITTED to the National – and Provincial Treasuries;

(4) That an application for the extension of the current valuation/supplementary roll BE SUBMITTED to Mpumalanga MEC of COGTA in terms of Section 32(2)(b) of Local Government Municipal Property Rates Act 6 of 2004;

(5) That provision BE MADE for an 8.5% estimated increase in salaries of councillors which still have to be announced in terms of the Public Office Bearers Act;

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Lekwa Municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items.

The municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers and this includes but not limited to:

- Meter auditing
- Appointment of new service provider that will do meter readings
- Data cleansing to ensure accurate billing and sending of accounts
- Amnesty on arrears accounts
- Encouraging consumers who are indigent to apply for subsidies
- Appoint new service provider for prepaid electricity vendor
- Ensuring that direct deposit are captured timeously
- Implementation of credit control
- Implementation of debt management control
- Appointment of all income section budgeted positions to better customer services
- Office will be opened during the weekend and public holidays to encourage people to come and pay for services

National Treasury's MFMA Circular No. 51, 54, 58 and 59 were used to guide the compilation of the 2012/13 MTREF.

The main challenges experienced during the compilation of the 2012/13 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained water, roads and electricity infrastructure;
- Rollover of Municipal Infrastructure Grants projects which lead to other projects been reprioritise;
- The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- The salaries & wages negotiations had not commenced when the 2012/13 MTREF was compiled and the salaries increase is estimated to be over 5%, as well as the need to fill critical vacancies;
- Due to the rollover of prior year's capital investments the allocation for the 2012/13 MTREF needed to be reallocated to factor in expenditures of the prior year.
- The municipality can only finance its capital project from government transfers provided by the national department as there are no affordable borrowings.

The following budget principles and guidelines directly informed the compilation of the 2012/13 MTREF:

- The 2011/12 Adjustments Budget priorities and targets
- The expenditure & revenue collection to date
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2012/13 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2012/13 MTREF

Description	Current Year 2011/12			2012/13 Medium Term Revenue &		
R thousands	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Total Revenue	378 441	361 209	361 209	417 686	440 406	466 172
Total Expenditure	363 090	344 042	344 042	403 366	421 025	434 111
Surplus/(Deficit) before repairs & maintenance	15 666	17 167	17 167	14 320	19 381	32 061
Repairs & Maintenance	15 666	13 177	13 177	14 320	15 174	14 888
Surplus/(Deficit) after repairs & maintenance	–	3 990	3 990	–	4 207	17 173
Total Capital Expenditure	44 066	75 748	75 748	53 847	50 504	51 620

Total operating revenue has grown by 15.63 percent or R 56.4 million for the 2012/13 financial year when compared to the 2011/12 Adjustments Budget. For the two outer years, operational revenue will increase by 5.44 and 6.30 percent respectively, equating to a total revenue growth of R 106.9 million over the MTREF when compared to the 2011/12 financial year.

Total operating expenditure for the 2012/13 financial year has been appropriated at R 417.6 million. When compared to the 2011/12 Adjustments Budget, operational expenditure has grown by 16.93 percent in the 2012/13 budget and by 4.43 and 2.93 percent for each of the respective outer years of the MTREF. The operating surplus for the two outer years steadily increases to R 4.2 million and then R 17.1 million. These surpluses will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The capital budget of R 56.8 million for 2012/13 is 25 percent less when compared to the 2011/12 Adjustment Budget. The reduction is due to various projects being rollover from the 2010/11 budget to the 2011/12 financial period and will be completed during the 2011/12. The capital programme decreased to R 50.5 million in the 2013/14 financial year and then R 51.6 in the 2014/15. A substantial portion of the capital budget will be funded from government transfers over MTREF with anticipation that the balance will be funded from internally generated funds. Consequently, the capital budget remains relatively flat over the medium-term.

1.4 Operating Revenue Framework

The municipality continues improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Lekwa and continued economic development;
- Efficient revenue management, which aims to ensure a 84 percent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of Lekwa municipality.

The following table is a summary of the 2012/13 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Revenue By Source									
Property rates	25 446	32 000	33 260	38 658	38 658	38 658	36 885	38 913	41 054
Property rates - penalties & collection charges									
Service charges - electricity revenue	48 904	99 894	121 233	161 670	162 457	162 457	205 070	216 348	228 248
Service charges - water revenue	35 258	25 150	16 845	24 793	27 043	27 043	28 335	29 893	31 537
Service charges - sanitation revenue	12 436	16 756	18 041	14 745	19 296	19 296	22 473	23 709	25 013
Service charges - refuse revenue	7 857	9 244	9 083	10 344	14 016	14 016	11 561	12 196	12 867
Service charges - other									
Rental of facilities and equipment	3 486	3 489	766	1 446	1 425	1 425	852	898	948
Interest earned - external investments	2 046	450	767	536	781	781	818	818	818
Interest earned - outstanding debtors	16 372	16 897	16 048	18 574	18 574	18 574	20 269	20 269	20 269
Dividends received									
Fines	1 019	630	361	1 277	1 276	1 276	1 567	1 653	1 744
Licences and permits	2 714	4 873	3 393	4 246	4 246	4 246	4 494	4 741	5 002
Agency services									
Transfers recognised - operational	41 123	52 690	64 622	72 824	71 511	71 511	84 124	89 658	97 292
Other revenue	18 181	3 623	1 063	29 329	1 927	1 927	1 240	1 308	1 380
Gains on disposal of PPE									
Total Revenue (excluding capital transfers and contributions)	214 842	265 696	285 482	378 442	361 210	361 210	417 687	440 404	466 172

Table 3 Percentage growth in revenue by main revenue source

Description			2012/13 Medium Term Revenue & Expenditure Framework				
R thousand	Adjusted Budget	% Growth	Budget Year 2012/13	% Growth	Budget Year +1 2013/14	% Growth	Budget Year +2 2014/15
Revenue By Source							
Property rates	38 658	-5%	36 885	5%	38 913	6%	41 054
Property rates - penalties & collection charges							
Service charges - electricity revenue	162 457	26%	205 070	6%	216 348	6%	228 248
Service charges - water revenue	27 043	5%	28 335	5%	29 893	5%	31 537
Service charges - sanitation revenue	19 296	16%	22 473	5%	23 709	6%	25 013
Service charges - refuse revenue	14 016	-18%	11 561	5%	12 196	6%	12 867
Service charges - other							
Rental of facilities and equipment	1 425	-40%	852	6%	898	6%	948
Interest earned - external investments	781	5%	818	0%	818	0%	818
Interest earned - outstanding debtors	18 574	9%	20 269	0%	20 269	0%	20 269
Dividends received							
Fines	1 276	23%	1 567	6%	1 653	6%	1 744
Licences and permits	4 246	6%	4 494	6%	4 741	6%	5 002
Agency services							
Transfers recognised - operational	71 511	18%	84 124	7%	89 658	9%	97 292
Other revenue	1 927	-36%	1 240	5%	1 308	6%	1 380
Gains on disposal of PPE							
Total Revenue (excluding capital transfers and contributions)	361 210	19%	417 687	5%	440 404	6%	466 172

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the municipality. In the 2011/12 financial year, revenue from rates and services charges totalled R 261.4 million, then increases to R 304.3 million, R 321 million and R 338.7 million in the respective financial years of the MTREF. A notable trend is the increase in the total percentage revenue generated from rates and services charges which increases from 72.86 percent in 2012/13 to 72.66 percent in 2014/15. This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity.

Property rates is the second largest revenue source totalling 8.83 per cent or R 36.8 million rand and increases to R 41 million by 2014/15. The third largest sources is sale of water totalling 6.78 per cent or R 28.3 million rand and increases to R 31.5 million by 2014/15.

Operating grants and transfers totals R 84.1 million in the 2012/13 financial year and steadily increases to R 97.2 million by 2014/15.
The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Operating Transfers and Grant Receipts

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
RECEIPTS:									
Operating Transfers and Grants									
National Government:	41 148	52 705	64 622	72 824	69 251	69 251	84 124	89 658	97 292
Local Government Equitable Share	39 445	50 103	62 872	69 959	67 211	67 211	79 068	84 915	92 081
Finance Management	500	750	1 000	1 250	1 250	1 250	1 250	1 500	1 750
Municipal Systems Improvement	735	750	750	790	790	790	800	870	950
LGSETA				825			1 265	536	569
Other transfers/grants [insert descri	468	1 102			–	–	1 741	1 836	1 943
Provincial Government:	–	200	–	–	–	–	–	–	–
Sport and Recreation		200							
Other transfers/grants [insert description]									
District Municipality:	–	–	–	–	–	–	–	–	–
[insert description]									
Other grant providers:	–	–	–	–	–	–	–	–	–
[insert description]									
Total Operating Transfers and Grants	41 148	52 905	64 622	72 824	69 251	69 251	84 124	89 658	97 292

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk electricity. Excessive increases in tariffs are likely to be counterproductive, resulting in higher levels of non-payment.

The 13.05 percentage increases of Eskom bulk tariffs are far beyond the mentioned inflation target. Discounting the impact of these price increases in lower consumer tariffs will erode the municipality's future financial position and viability.

The current challenge facing the municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the municipality has undertaken the tariff setting process relating to service charges as follows.

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations will be done in the 2012/13 budget due to the valuation roll been inaccurate and the supplementary valuations roll in the previous budget cycle and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). In addition to this rebate, a further R25 000 reduction on the market value of a property will be granted in terms of the municipality's own Property Rates Policy;
- 35 per cent rebate will be granted on all residential properties (including state owned residential properties);
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;
- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 50 per cent (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not to exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year. In this regard the following stipulations are relevant:
    - The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependants without income;
    - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
    - The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
    - The property must be categorized as residential.

- The Municipality may award a 100 per cent grant-in-aid on the assessment rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2012/13 financial year based on a 5 per cent increase from 1 July 2012 is contained below:

Table 5 Comparison of proposed rates to be levied for the 2012/13 financial year

Category	Current Tariff (1 July 2011)	Proposed tariff (from 1 July 2012)
	c	C
Residential properties	0,006934	0,007281
State owned properties	0,007511	0,007887
Business & Commercial	0,008089	0,008493
Agricultural	0,002022	0,002123
Vacant land		
Municipal rateable		
Industrial	0,008089	0,008493
Non-permitted use		
Public benefit organisation properties		

1.4.2 Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Includes the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption (Inclining Block Tariffs).

Better maintenance of infrastructure such as reservoir, water network & water purification plants and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability. The municipality is currently having a disputes with the Department of Water Affairs regarding the cost for bulk water purchases and a provision of R 3.5 million has been made pending the outcome of the dispute.

A tariff increase of 5 percent from 1 July 2012 for water is proposed. In addition 6 kℓ water per 30-day period will again be granted free of charge to all residents. The municipality will investigate the possibility of providing free 6 kℓ water to only registered indigent households.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

Table 6 Proposed Water Tariffs

CATEGORY	CURRENT TARIFFS 2011/12	PROPOSED TARIFFS 2012/13
	Rand per kℓ	Rand per kℓ
RESIDENTIAL		
(i) 1 to 10 kℓ per 30-day period	4,03	4,23
(ii) 11 to 25 kℓ per 30-day period	4,99	5,24
(iii) 26 to 50 kℓ per 30-day period	7,24	7,60
(iv) 51 to 9999 kℓ per 30-day period	10,20	10,71
NON-RESIDENTIAL		
(i) 1 to 10 kℓ per 30-day period	4,45	4,67
(ii) 11 to 25 kℓ per 30-day period	5,52	5,80
(iii) 26 to 50 kℓ per 30-day period	8,18	8,59
(iv) 51 to 9999 kℓ per 30-day period	11,59	12,17

The following table shows the impact of the proposed increases in water tariffs on the water charges for a single dwelling-house:

Table 7 Comparison between current water charges and increases (Domestic)

Monthly Consumption kℓ	Current amount payable R	Proposed amount payable R	Difference (Increase) R	Percentage change
20	89,93	94,70	4,77	5%
30	151,08	158, 90	7,82	5%
40	223,48	234,90	11,42	5%
50	295,88	310,90	15,02	5%
80	601,88	632,20	30,32	5%
100	805,88	846,40	40,52	5%

The tariff structure is designed to charge higher levels of consumption a higher rate, steadily increasing to a rate of R10.71 per kilolitre for consumption in excess of 51kℓ per 30 day period.

1.4.3 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. A 11, 03 percent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2012.

Considering the Eskom increases, the consumer tariff had to be increased by 11, 03 percent to offset the additional bulk purchase cost from 1 July 2012. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity.

Registered indigents will again be granted 50 kWh per 30-day period free of charge. In addition those residential customers that are not registered as indigent will receive 50 kWh free of

charge. The municipality will investigate the possibility of providing free 50 kWh electricity to only registered indigent households.

The following table shows the impact of the proposed increases in electricity tariffs on the water charges for domestic customers:

Table 8 Comparison between current electricity charges and increases (Domestic)

Monthly consumption kWh	Current amount payable R	Proposed amount Payable R	Difference (Increase) R	Percentage change
100	99.00	110,00	11,00	11.03%
250	247,50	275,00	27,50	11.03%
500	450,00	550,00	100,00	11.03%
750	742,50	825,00	82, 50	11.03%
1 000	990,00	1100,00	110,00	11.03%
2 000	1980,00	2200,00	220,00	11.03%

It should further be noted that NERSA has advised that an inclining block tariff structure needs to be implemented from 1 July 2012. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor).

The upgrading of the municipality's electricity network has therefore become a strategic priority, especially in Ward 7 where electricity trips if there are winds or its raining.

A big portion of the approved budget for the Electricity Division will be utilised for repairing and maintaining critical infrastructure as well as bulk purchases of electricity.

Owing to the high increases in Eskom's bulk tariffs, it is clearly not possible to fund these necessary upgrades through increases in the municipal electricity tariff. As part of the 2012/13 medium-term capital programme, funding has been allocated to electricity infrastructure but these funding levels will require further investigation as part of the next budget cycle in an attempt to source more funding to ensure this risk is mitigated.

1.4.4 Sanitation and Impact of Tariff Increases

A tariff increase of 5 percent for sanitation from 1 July 2012 is proposed. This is based on the input cost assumptions related to water. The following factors also contribute to the proposed tariff increase:

The following table compares the current and proposed tariffs:

Table 9 Comparison between current sanitation charges and increases, single dwelling-houses

CATEGORY	TARIFF		Difference	
	Current	Proposed	Rand	%
	R	R	R	
Domestic	112.10	117,71	5.61	5

The following table shows the impact of the proposed increases in sanitation tariffs on the sanitation charges for a single dwelling-house:

1.4.5 Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributors to this deficit are repairs and maintenance on vehicles, increases in general expenditure such as fuel and the cost of remuneration. A 5 percent increase in the waste removal tariff is proposed from 1 July 2012.

The following table compares current and proposed amounts payable from 1 July 2012:

Table 10 Comparison between current waste removal fees and increases single dwelling- houses

CATEGORY	TARIFF		Difference	
	Current	Proposed	Rand	%
	R	R	R	
Domestic	71.39	74,96	3.57	5

1.4.6 Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

Note that in all instances the overall impact of the tariff increases on household's bills has been kept to between 7.4 and 10.2 percent, with the increase for indigent households closer to 8.6 per cent.

Table 11 MBRR Table SA14 – Household bills

MP305 Lekwa - Supporting Table SA14 Household bills

Description	2009/10	2010/11	Current Year 2011/12					
	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Rand/cent								
Monthly Account for Household - 'Middle Income Range'								
Rates and services charges:								
Property rates		374.50	404.48	404.48	404.48	106.18	224.03	354.55
Electricity: Basic levy	44.85	53.37	64.25	64.25	64.25	71.34	79.19	89.48
Electricity: Consumption	655.50	788.50	940.50	940.50	940.50	1045.00	1159.00	1311.00
Water: Basic levy	20.19	21.60	23.54	23.54	23.54	24.61	25.84	27.13
Water: Consumption	136.80	146.40	157.68	157.68	157.68	166.80	175.92	185.52
Sanitation	96.88	103.66	111.96	111.96	111.96	117.71	123.60	129.78
Refuse removal	42.60	45.58	49.23	49.23	49.23	57.48	60.35	63.37
Other								
sub-total	**996.82**	**1533.61**	**1751.64**	**1751.64**	**1751.64**	**1589.12**	**1847.93**	**2160.83**
VAT on Services	139.55	162.27	188.60	188.60	188.60	206.62	226.24	251.63
Total large household bill:	**1136.37**	**1695.88**	**1940.24**	**1940.24**	**1940.24**	**1795.74**	**2074.17**	**2412.46**
% increase/-decrease	**–**	**49.2%**	**14.4%**	**–**	**–**	**(7.4%)**	**15.5%**	**16.3%**
Monthly Account for Household - 'Affordable Range'								
Rates and services charges:								
Property rates		267.50	288.92	288.92	288.92	75.84	160.02	253.25
Electricity: Basic levy	44.85	53.37	64.25	64.25	64.25	71.34	79.19	89.48
Electricity: Consumption	310.50	373.50	445.50	445.50	445.50	495.00	549.00	621.00
Water: Basic levy	20.19	21.60	23.54	23.54	23.54	24.61	25.84	27.13
Water: Consumption	108.30	115.90	124.83	124.83	124.83	132.05	139.27	146.87
Sanitation	96.88	103.66	111.96	111.96	111.96	117.71	123.60	129.78
Refuse removal	42.60	45.58	49.23	49.23	49.23	57.48	60.35	63.37
Other								
sub-total	**623.32**	**981.11**	**1108.23**	**1108.23**	**1108.23**	**974.03**	**1137.27**	**1330.88**
VAT on Services	87.26	99.90	114.70	114.70	114.70	124.75	136.81	150.87
Total small household bill:	**710.58**	**1081.01**	**1222.93**	**1222.93**	**1222.93**	**1098.78**	**1274.08**	**1481.75**
% increase/-decrease	**–**	**52.1%**	**13.1%**	**–**	**–**	**(10.2%)**	**16.0%**	**16.3%**
		-	-0.75	-1.00	-			
Monthly Account for Household - 'Indigent' Household receiving free basic services								
Rates and services charges:								
Property rates								
Electricity: Basic levy	44.85	53.37	64.25	64.25	64.25	71.34	79.19	89.48
Electricity: Consumption						–	–	–
Water: Basic levy	20.19	21.60	23.54	23.54	23.54	24.61	25.96	27.39
Water: Consumption								
Sanitation	96.88	103.66	111.96	111.96	111.96	117.71	124.18	131.01
Refuse removal	42.60	45.58	49.23	49.23	49.23	57.48	60.64	63.98
Other								
sub-total	**204.52**	**224.21**	**248.98**	**248.98**	**248.98**	**271.14**	**289.98**	**311.86**
VAT on Services	28.63	31.39	34.86	34.86	34.86	36.97	39.49	42.42
Total small household bill:	**233.15**	**255.60**	**283.84**	**283.84**	**283.84**	**308.11**	**329.47**	**354.28**
% increase/-decrease	**–**	**9.6%**	**11.0%**	**–**	**–**	**8.6%**	**6.9%**	**7.5%**

1.5 Operating Expenditure Framework

The municipality's expenditure framework for the 2012/13 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Funded budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan and;
- Strict adherences to the principle of no project plan *no budget*.

The following table is a high level summary of the 2012/13 budget and MTREF (classified per main type of operating expenditure):

Table 12 Summary of operating expenditure by standard classification item

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Expenditure By Type									
Employee related costs	72 055	76 505	103 637	109 583	101 583	101 583	113 854	122 248	131 263
Remuneration of councillors	5 328	4 886		7 538	7 538	7 538	8 275	8 930	9 638
Debt impairment	143 574	45 251					40 081	30 000	25 000
Depreciation & asset impairment	–	–	–	–	–	–	12 000	5 000	5 000
Finance charges	916	755	437	5 573	5 573	5 573	3 300	2 669	2 104
Bulk purchases	66 849	92 272	125 663	153 230	153 230	153 230	167 833	193 191	200 000
Other materials			3 259	2 617	2 617	2 617	2 975	2 622	2 388
Contracted services	–	–	10 075	10 624	14 761	14 761	21 618	20 796	21 593
Transfers and grants	5 970	4 370	–	–	–	–	7 534	7 916	8 360
Other expenditure	77 760	49 642	38 747	73 925	58 740	58 740	25 896	27 652	28 764
Loss on disposal of PPE									
Total Expenditure	372 452	273 680	281 818	363 090	344 042	344 042	403 366	421 024	434 110

The budgeted allocation for employee related costs for the 2012/13 financial year totals R 122.1 million, which equals 29.24 percent of the total operating expenditure. The municipalities and SALGBC are still negotiating a single or multiyear collective agreement, salary increases have been factored into this budget at a percentage increase of 6.5 per cent for the 2012/13 financial year. An annual increase of 8 per cent has been included in the two outer years of the MTREF. As part of the planning assumptions and interventions all vacancies were reviewed and the organogram has been aligned to the budget and a report was compiled by the Corporate Services Department relating to the prioritization of critical vacant vacancies within the Municipality that needed to be filled during the 2012/13.

It should be noted that the total financial implication relating equal pay for equal work at all municipalities in South Africa could not be determined as the applicable municipal wage curve has not been finalised.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the municipality's budget.

The provision of debt impairment was determined based on an annual collection rate of 84.1 per cent and the Debt Write-off Policy of the municipality. For the 2012/13 financial year this amount equates to R40 million and decreases to R25 million by 2014/15. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

A provision of R 12 mil has been made for depreciation. A service provider has been appointed to compile an asset register in terms of GRAP 17 noting that directive for requires the municipality to compile a GRAP 17 compliant asset register when compiling the Annual Financial Statements. This will be the first time that the municipality compiles a fully compliant asset register and this will require some asset been revaluated and some impaired. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

Finance charges consist primarily of the repayment of interest of R 900 thousand on long-term borrowing and redemption on loan of R 2 million as well as bank charges amounting to R 400 thousand.

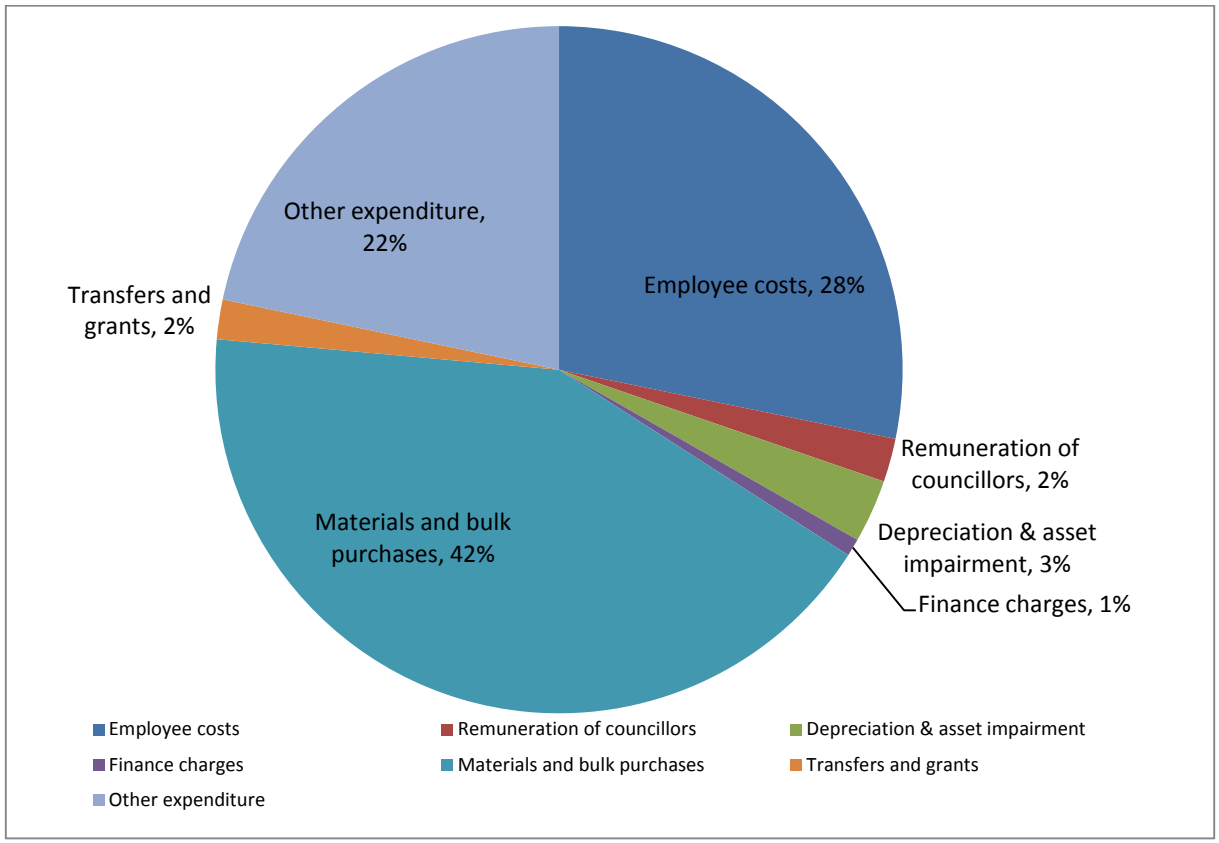
The bulk purchase for electricity has been provided at R 164.2 million and it was calculated based on the bulk purchases made up until March 2012, and a provision of R 3.5 million has been made for bulk water purchases.

Other materials comprise of amongst others the purchase of fuel, materials for maintenance, cleaning materials and chemicals. In line with the municipality's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the municipality's infrastructure. For 2012/13 the appropriation against this group of expenditure has grown by 13.68 per cent (R 2.9 million) and declines at 11.86 and 9 percent for the two outer years.

The contracted services have increased drastically with 46.45 (R 21.6 million) percent when compared to the 2011/12 adjustment budget. In the 2012/13 financial year, this group of expenditure decreased by 3.80 & increased by 3.83 per cent, during the two outer years.
Other expenditure comprises of various line items relating to the daily operations of the municipality. As part of the compilation of the 2012/13 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. The expenditure grew by 19 percent for 2012/13 and declined with 10.44 and 4 percent for the two outer years, indicating that significant cost savings have been already realised.

The following table gives a breakdown of the main expenditure categories for the 2011/13 financial year.

Figure 1 Main operational expenditure categories for the 2012/13 financial year



1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the municipality's current infrastructure, the 2012/13 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

During the compilation of the 2012/13 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the municipality's infrastructure and historic deferred maintenance. To this end, repairs and maintenance was substantially adjusted slightly downwards to R 14.3 million owing to the cash flow challenges faced by the municipality. Notwithstanding this reduction, as part of the 2012/13 MTREF this strategic imperative remains a priority as can be seen by the budget appropriations over the MTREF.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

Table 13 Repairs and maintenance per asset class

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
EXPENDITURE OTHER ITEMS									
Depreciation & Assets impairement	–	–	–	–	–	–	12 000	5 000	5 000
Repairs and Maintenance by Asset Class	–	–	–	15 666	13 177	13 177	14 320	15 174	14 888
Infrastructure - Road transport	–	–	–	1 500	850	850	1 200	1 272	1 348
Infrastructure - Electricity	–	–	–	3 725	3 823	3 823	4 500	4 770	4 710
Infrastructure - Water	–	–	–	1 131	1 469	1 469	1 200	1 272	1 137
Infrastructure - Sanitation	–	–	–	848	687	687	600	636	500
Infrastructure - Other	–	–	–	–	–	–	–	–	–
Infrastructure	–	–	–	*7 204*	*6 829*	*6 829*	*7 500*	*7 950*	*7 695*
Community	–	–	–	65	65	65	60	64	67
Heritage assets	–	–	–	–	–	–	–	–	–
Investment property	–	–	–	–	–	–	–	–	–
Other assets	–	–	–	8 397	6 283	6 283	6 760	7 161	7 125
	–	**–**	**–**	**15 666**	**13 177**	**13 177**	**14 320**	**15 175**	**14 887**

For the 2012/13 financial year, 52.37 per cent or R 7.5 million of total repairs and maintenance will be spent on infrastructure assets. Electricity infrastructure has received a significant proportion of this allocation totalling 31.42 per cent (R 4.5 million), followed by road infrastructure at 8.38 per cent (R 1.2 million), water at 8.38 per cent (R 1.2 million) and sanitation at 4.19 per cent (R 600 thousand). Community assets and other assets have been allocated R 6.8 million of total repairs and maintenance equating to 47.62 per cent.

1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the municipality's Indigent Policy. The target is to register 6 000 or more indigent households during the 2012/13 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act. The municipality will investigate the possibility of providing free basic services to only registered indigent households.

1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 14 2012/13 Medium-term capital budget per vote

Vote Description			2012/13 Medium Term Revenue & Expenditure				
R thousand	Adjusted Budget	%	Budget Year 2012/13	%	Budget Year +1 2013/14	%	Budget Year +2 2014/15
Capital expenditure - Vote							
Multi-year expenditure *to be appropriated*							
Council & Executive	–		6 500		–		–
Budget & Treasury	2 001		–		–		–
Corporate	1 906		–		–		–
Community Services	13 689	-5%	13 045	-46%	7 000		–
Roads	44 177	-80%	8 757	286%	25 073	0%	25 057
Planning & Development	–		–		–		–
Electricity	3 020	29%	3 900	-36%	2 500	100%	5 000
Water	1 257	796%	10 000	-80%	2 000	478%	9 563
Waste Water Management	5 700	35%	7 701	56%	12 000	0%	12 000
Waste Management	4 000	74%	6 944	-72%	1 931		–
Capital multi-year expenditure sub-total	75 750		56 847		50 504		51 620

For 2012/13 an amount of R 37.3 million has been appropriated for the development of infrastructure which represents 65.62 per cent of the total capital budget. In the outer years this amount totals R 43.5 million, 86.14 per cent and R 51.6 million, 100 per cent respectively for each of the financial years. Water services received the highest allocation of R10 million which equates to 26.80 per cent followed by roads transport which receives an allocation of R 8.7 million in 2012/13 which equates to 23.47 per cent followed by sanitation infrastructure at 20.64 per cent, R 7.7 million.

In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, as well as operational repairs and maintenance by asset class. Some of the prominent projects to be undertaken over the medium-term includes, amongst others:

- Upgrading of water treatment works – R 5 million;
- Zoning of water network – R 2.5 million;
- Upgrading of Sakhile substation – R 1.4 million;
- Installation of water & sanitation services in Rooikopen – R 701;
- Upgrading of sports facilities – R 6.3 million;
- Upgrading of Substation & water purification in CBD – R 1.5 million;
- Standerton Landfill site – R 6.9 million;
- Rehabilitation of tarred roads – R 5 million;
- Construction and upgrade of stormwater network – R 2 million;
- Installation of highmast lights – R 2 million;
- Upgrading of Standerton sewer treatment works – R 5 million;
- Construction of multi-purpose halls(W11,15) – R 5 million;
- Installation of VIP toilets in rural areas – R 2 million;
- Installation of boreholes in rural areas – R 1 million;

1.7 Annual Budget Tables - Parent Municipality

The following present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2012/13 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 15 MBRR Table A1 - Budget Summary

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Financial Performance									
Property rates	25 446	32 000	33 260	38 658	38 658	38 658	36 885	38 913	41054
Service charges	104 455	151045	165 202	211551	222 811	222 811	267 438	282 147	297 665
Investment revenue	2 046	450	767	536	781	781	818	818	818
Transfers recognised - operational	41 123	52 690	64 622	72 824	71511	71511	84 124	89 658	97 292
Other own revenue	41773	29 512	21631	54 872	27 448	27 448	28 422	28 870	29 343
transfers and contribution)	214 843	265 697	285 482	378 441	361209	361209	417 687	440 406	466 172
Employee costs	72 055	76 505	103 637	109 583	101583	101583	113 854	122 248	131263
Remuneration of councillors	5 328	4 886	–	7 538	7 538	7 538	8 275	8 930	9 638
Depreciation & asset impairment	–	–	–	–	–	–	12 000	5 000	5 000
Finance charges	916	755	437	5 573	5 573	5 573	3 300	2 669	2 104
Materials and bulk purchases	66 849	92 272	128 923	155 847	155 847	155 847	170 807	195 813	202 388
Transfers and grants	5 970	4 370	6 630	–	–	–	7 534	7 916	8 360
Other expenditure	221334	94 893	48 822	84 549	73 501	73 501	87 596	78 448	75 357
Total Expenditure	372 452	273 681	288 449	363 090	344 042	344 042	403 366	421024	434 110
Surplus/(Deficit)	(157 609)	(7 984)	(2 967)	15 351	17 167	17 167	14 321	19 382	32 062
Transfer recognised - Capital	27 136	50 087	–	–	–	–	–	–	–
Contributed assets	(130 473)	42 103	(2 967)	15 351	17 167	17 167	14 321	19 382	32 062
Surplus/(Deficit) attributable to municipality	–	–	–	–	–	–	–	–	–
Share of surplus/ (deficit) of associate	(130 473)	42 103	(2 967)	15 351	17 167	17 167	14 321	19 382	32 062
Capital expenditure & funds sources									
Capital expenditure	36 775	25 009	25 810	44 066	75 749	75 749	56 847	50 504	51620
Transfers recognised - capital	36 775	25 009	23 491	38 715	70 398	70 398	45 347	44 573	47 620
Public contributions & donations	–	–	–	–	–	–	–	–	–
Borrowing	–	–	–	–	–	–	–	–	–
Internally generated funds	–	–	2 319	5 351	5 351	5 351	11500	5 931	4 000
Total sources of capital funds	**36 775**	25 009	25 810	44 066	75 749	75 749	56 847	50 504	51620
Financial position									
Total current assets	29 153	58 093	55 660	70 045	286 365	286 365	81592	62 526	61775
Total non current assets	14 442	38 374	46 220	38 323	38 323	38 323	74 197	92 253	105 473
Total current liabilities	58 450	70 663	106 806	49 902	49 902	49 902	95 411	90 760	99 245
Total non current liabilities	5 480	4 037	2 276	1665	1665	1665	2 595	2 525	1895
Community wealth/Equity	(20 336)	21768	(7 202)	56 801	273 121	273 121	57 782	61494	66 108
Cash flows									
Net cash from (used) operating	2 046	8 305	–	54 651	73 759	–	64 268	46 449	55 280
Net cash from (used) investing	–	–	25 810	–	(75 748)	(75 748)	56 847	50 504	51620
Net cash from (used) financing	–	–	–	(44 066)	–	–	(2 900)	(2 245)	(1655)
Cash/cash equivalents at the year l	2 046	10 350	36 161	10 586	(1989)	–	115 215	209 923	315 168
Cash backing/surplus reconciliation									
Cash and investment available	(10 419)	15 682	8 961	19 360	19 360	–	18 069	(369)	6 005
Application of cash and investment	37 148	14 328	70 542	(1688)	(200 622)	–	14 093	10 131	20 678
Balance - surplus (shortfall)	(47 567)	1354	(61581)	21048	219 982	–	3 976	(10 500)	(14 673)
Asset management									
Asset register summary (WDV)	–	9 175	–	9 123	9 123	9 123	74 197	92 253	105 473
Depreciation & assets impairement	–	–	–	–	–	–	12 000	5 000	5 000
Repairs and Maintenance	–	–	–	15 666	13 177	13 177	14 320	15 174	14 888
Free services									
Cost of Free Basic Services provided	–	–	–	–	–	–	–	–	–
Revenue cost of free services provided	–	–	–	–	–	–	–	–	–
Households below minimum service level									
Water	–	–	–	–	–	–	–	–	–
Sanitation/Sewerage	–	–	–	–	–	–	–	–	–
Energy	–	–	–	–	–	–	–	–	–
Refuse	–	–	–	–	–	–	–	–	–

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
    a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
    b. Capital expenditure is balanced by capital funding sources, of which
        i. Transfers recognised is reflected on the Financial Performance Budget;
        ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
        iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. These places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs. It is anticipated that by 2014/15 the water backlog will have been very nearly eliminated.

Table 16 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Revenue - Standard									
Governance and administration	**53 991**	**157 498**	**115 759**	**138 480**	**131 457**	**131 457**	**141 261**	**148 778**	**158 499**
Executive and council	–	–	62 879	–	–	–	79 075	84 923	92 089
Budget and treasury office	28 289	122 513	19 168	93 287	91974	91974	23 418	23 753	24 099
Corporate services	25 702	34 985	33 712	45 193	39 483	39 483	38 768	40 102	42 311
Community and public safety	**52 840**	**1 750**	**719**	**3 031**	**3 031**	**3 031**	**1 963**	**2 067**	**2 176**
Community and social services	810	1052	371	1831	1831	1831	378	399	421
Sport and recreation	146	59	30	–	–	–	75	75	75
Public safety	1794	630	318	1200	1200	1200	1510	1593	1680
Housing	50 090	9	–	–	–	–	–	–	–
Health	–	–	–	–	–	–	–	–	–
Economic and environmental servi	**2 810**	**5 020**	**3 373**	**4 317**	**4 317**	**4 317**	**6 309**	**6 656**	**7 027**
Planning and development	50	69	40	71	71	71	17	18	19
Road transport	2 760	4 951	3 333	4 246	4 246	4 246	6 292	6 638	7008
Environmental protection	–	–	–	–	–	–	–	–	–
Trading services	**132 336**	**151 516**	**165 630**	**232 613**	**222 405**	**222 405**	**268 153**	**282 902**	**298 462**
Electricity	75 783	99 894	121428	167 956	162 049	162 049	205 771	217 089	229 029
Water	32 473	25 150	17 069	31344	27043	27043	28 340	29 899	31543
Waste water management	15 684	16 756	18 041	19 296	19 296	19 296	22 473	23 709	25 013
Waste management	8 396	9 716	9 092	14 017	14 017	14 017	11569	12 205	12 877
Other	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total Revenue - Standard	**241 977**	**315 784**	**285 481**	**378 441**	**361 210**	**361 210**	**417 686**	**440 403**	**466 164**
Expenditure - Standard									
Governance and administration	**253 052**	**81 238**	**58 961**	**99 289**	**91 240**	**91 240**	**138 629**	**124 725**	**125 296**
Executive and council	16 223	19 176	28 597	37 869	28 176	28 176	32 043	34 122	36 268
Budget and treasury office	225 876	52 274	16 712	40 053	42 997	42 997	86 439	68 948	65 750
Corporate services	10 953	9 788	13 652	21367	20 067	20 067	20 147	21655	23 278
Community and public safety	**30 167**	**32 047**	**30 229**	**38 370**	**36 741**	**36 741**	**35 241**	**37 849**	**40 663**
Community and social services	8 409	14 523	3 838	17 784	14 696	14 696	4 206	4 535	4 890
Sport and recreation	5485	1545	6 641	1823	5055	5055	5567	6 002	6 472
Public safety	11945	15 744	19 661	15 494	13 721	13 721	23 146	24 812	26 602
Housing	–	235	10	3 269	3 269	3 269	2 322	2 500	2 699
Health	4 328	–	79	–	–	–	–	–	–
Economic and environmental servi	**19 158**	**14 530**	**22 339**	**22 695**	**22 096**	**22 096**	**22 774**	**24 588**	**26 353**
Planning and development	253	104	4 586	3 039	2 028	2 028	3 645	3 961	4 110
Road transport	18 837	14 426	17 753	19 656	20 068	20 068	19 129	20 627	22 243
Environmental protection	68	–	–	–	–	–	–	–	–
Trading services	**70 076**	**145 867**	**176 818**	**202 735**	**193 965**	**193 965**	**206 721**	**233 862**	**241800**
Electricity	43 637	108 155	140 953	168 357	164 057	164 057	174 879	202 789	210 072
Water	11 191	18 504	14 964	15 770	13 611	13 611	14 753	13 834	13 751
Waste water management	7045	9 218	8 879	6 826	5686	5686	4 587	4 950	5063
Waste management	8 203	9 990	12 022	11782	10 611	10 611	12 502	12 289	12 914
Other	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total Expenditure - Standard	**372 453**	**273 682**	**288 347**	**363 089**	**344 042**	**344 042**	**403 365**	**421024**	**434 112**
Surplus/(Deficit) for the year	**(130 476)**	**42 102**	**(2 866)**	**15 352**	**17 168**	**17 168**	**14 321**	**19 379**	**32 052**

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms if each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Water and Waste water functions and Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.
3. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources.

Table 17 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Revenue by Vote									
Council & Executive	–	–	62 879	–	–	–	79 075	84 923	92 089
Budget & Treasury	53 735	157 401	19 168	137 655	130 632	130 632	23 418	23 753	24 099
Corporate Services	885	913	33 712	2 271	2 270	2 270	38 768	40 102	42 311
Community Services	52 258	1012	719	1585	1585	1585	1962	2 070	2 184
Roads	2 714	4 873	3 363	4 246	4 246	4 246	4 552	4 802	5066
Planning & Development	50	99	10	71	71	71	1758	1854	1961
Electricity	75 783	99 894	121428	167 956	162 049	162 049	205 771	217 089	229 029
Water	32 473	25 150	17 069	31344	27 043	27 043	28 340	29 899	31543
Waste Water Management	15 684	16 756	18 041	19 296	19 296	19 296	22 473	23 709	25013
Waste Management	8 396	9 716	9 092	14 017	14 017	14 017	11569	12 205	12 877
Total Revenue by Vote	**241 978**	**315 814**	**285 481**	**378 441**	**361 209**	**361 209**	**417 686**	**440 406**	**466 172**
Expenditure by Vote *to be appropriated*									
Council & Executive	16 223	19 776	28 597	40 009	25 216	25 216	32 043	34 122	36 268
Budget & Treasury	222 679	49 994	16 712	36 207	51791	51791	86 439	68 948	65750
Corporate Services	17 471	21545	13 652	31782	28 662	28 662	20 147	21655	23 278
Community Services	23 233	18 241	30 331	28 150	23 561	23 561	35241	37850	40 663
Roads	22 519	18 154	22 251	21167	20 470	20 470	17 364	18 723	20 190
Planning & Development	253	104	88	3 039	1	1	5411	5864	6 162
Electricity	43 637	108 155	140 953	168 357	163 715	163 715	174 879	202 789	210 072
Water	11 191	18 504	14 964	15770	10 278	10 278	14 753	13 834	13 751
Waste Water Management	7045	9 218	8 879	6 826	8 385	8 385	4 587	4 950	5063
Waste Management	8 203	9 990	12 022	11782	11963	11963	12 502	12 289	12 914
Total Expenditure by Vo	**372 454**	**273 681**	**288 449**	**363 089**	**344 042**	**344 042**	**403 366**	**421024**	**434 111**
Surplus/(Deficit) for the	**(130 476)**	**42 133**	**(2 968)**	**15 352**	**17 167**	**17 167**	**14 320**	**19 382**	**32 061**

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Lekwa. This means it is possible to present the operating surplus or deficit of a vote.

Table 18 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Revenue By Source									
Property rates	25 446	32 000	33 260	38 658	38 658	38 658	36 885	38 913	41 054
Property rates - penalties & collection charges									
Service charges - electricity revenue	48 904	99 894	121 233	161 670	162 457	162 457	205 070	216 348	228 248
Service charges - water revenue	35 258	25 150	16 845	24 793	27 043	27 043	28 335	29 893	31 537
Service charges - sanitation revenue	12 436	16 756	18 041	14 745	19 296	19 296	22 473	23 709	25 013
Service charges - refuse revenue	7 857	9 244	9 083	10 344	14 016	14 016	11 561	12 196	12 867
Service charges - other									
Rental of facilities and equipment	3 486	3 489	766	1 446	1 425	1 425	852	898	948
Interest earned - external investments	2 046	450	767	536	781	781	818	818	818
Interest earned - outstanding debtors	16 372	16 897	16 048	18 574	18 574	18 574	20 269	20 269	20 269
Dividends received									
Fines	1 019	630	361	1 277	1 276	1 276	1 567	1 653	1 744
Licences and permits	2 714	4 873	3 393	4 246	4 246	4 246	4 494	4 741	5 002
Agency services									
Transfers recognised - operational	41 123	52 690	64 622	72 824	71 511	71 511	84 124	89 658	97 292
Other revenue	18 181	3 623	1 063	29 329	1 927	1 927	1 240	1 308	1 380
Gains on disposal of PPE									
Total Revenue (excluding capital transfers and contributions)	214 842	265 696	285 482	378 442	361 210	361 210	417 687	440 404	466 172
Expenditure By Type									
Employee related costs	72 055	76 505	103 637	109 583	101 583	101 583	113 854	122 248	131 263
Remuneration of councillors	5 328	4 886		7 538	7 538	7 538	8 275	8 930	9 638
Debt impairment	143 574	45 251					40 081	30 000	25 000
Depreciation & asset impairment	–	–	–	–	–	–	12 000	5 000	5 000
Finance charges	916	755	437	5 573	5 573	5 573	2 975	2 325	1 739
Bulk purchases	66 849	92 272	125 663	153 230	153 230	153 230	167 833	193 191	200 000
Other materials			3 259	2 617	2 617	2 617	2 975	2 622	2 388
Contracted services	–	–	10 075	10 624	14 761	14 761	21 618	20 796	21 593
Transfers and grants	5 970	4 370	66 830	–	–	–	7 534	7 916	8 360
Other expenditure	77 760	49 642	387 474	73 925	58 740	58 740	25 896	27 652	28 764
Loss on disposal of PPE									
Total Expenditure	372 452	273 680	697 375	363 090	344 042	344 042	403 041	420 680	433 745
Surplus/(Deficit)	(157 610)	(7 985)	(411 894)	15 352	17 168	17 168	14 646	19 724	32 427
Transfers recognised - capital	27 136	50 087				–			
Contributions recognised - capital	–	–	–	–	–	–	–	–	–
Contributed assets									
Surplus/(Deficit) after capital transfers & contributions	(130 474)	42 102	(411 894)	15 352	17 168	17 168	14 646	19 724	32 427

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R 417.6 million in 2012/13 and escalates to R 466.1 million by 2014/15. This represents a year-on-year increase of 5.4 per cent for the 2013/12 financial year and 5.8 percent for the 2014/15 financial year.
2. Revenue to be generated from property rates is R 36 million in the 2012/13 financial year and increases to R 41 million by 2014/15 which represents 8.6 percent of the operating revenue base of the municipality and therefore remains a significant funding source for the municipality.
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the municipality totalling R267 million for the 2012/13 financial year and increasing to R297 million by 2014/15. For the 2012/13 financial year services charges amount to 64 percent of the total revenue base and grows by an average of 8 percent per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of electricity and water.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national government. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF by 17.6 percent and 15.65 percent for the two outer years.
5. Bulk purchases have significantly increased to R 167 million for 2012/13 and R 200 million by 2014/15. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom.
6. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Table 19 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Capital expenditure - Vote									
Multi-year expenditure *to be appropriated*									
Multi-year expenditure appropriation									
Council & Executive	–	151	54	–	–	–	6 500	–	–
Budget & Treasury	–	188	725	5 251	2 001	2 001	–	–	–
Corporate Services	4 883	5 150	–	1 449	1 906	1 906	–	–	–
Community Services	1 026	96	8 333	4 000	13 689	13 689	13 045	7 000	–
Roads	16 643	14 998	13 418	24 527	44 177	44 177	8 757	25 073	25 057
Planning & Development	766	428	695	–	–	–	–	–	–
Electricity	4 496	289	916	1 389	3 020	3 020	3 900	2 500	5 000
Water	4 393	–	1 441	–	1 257	1 257	10 000	2 000	9 563
Waste Water Management	4 311	3 708	229	4 000	5 700	5 700	7 701	12 000	12 000
Waste Management	257	–	–	3 350	4 000	4 000	6 944	1 931	–
Capital multi-year expenditure sub	36 775	25 008	25 811	43 966	75 750	75 750	56 847	50 504	51 620
Total Capital Expenditure - Vote	36 775	25 008	25 811	43 966	75 750	75 750	56 847	50 504	51 620
Capital Expenditure - Standard									
Governance and administration	4 689	1 057	779	5 351	2 001	2 001	6 500	–	–
Executive and council		151	54				6 500		
Budget and treasury office		188	725	5 351	2 001	2 001			
Corporate services	4 689	717							
Community and public safety	1 220	4 639	8 333	5 449	15 595	15 595	13 045	7 000	–
Community and social services	194	4 432	6 006	1 449	1 906	1 906	5 000	7 000	
Sport and recreation	608	88	1 887	4 000	13 689	13 689	8 045		
Public safety	419	118	332						
Housing									
Health			108						
Economic and environmental se	17 408	15 316	14 113	24 527	40 827	40 827	8 757	25 073	25 057
Planning and development	766	428	695						
Road transport	16 643	14 888	13 418	24 527	40 827	40 827	8 757	25 073	25 057
Environmental protection									
Trading services	13 457	3 997	2 586	8 739	17 327	17 327	28 545	18 431	26 563
Electricity	4 496	289	916	1 389	3 020	3 020	3 900	2 500	5 000
Water	4 393		1 441		1 257	1 257	10 000	2 000	9 563
Waste water management	4 311	3 708	229	4 000	9 050	9 050	7 701	12 000	12 000
Waste management	257			3 350	4 000	4 000	6 944	1 931	
Other									
Total Capital Expenditure - Standa	36 775	25 009	25 810	44 066	75 748	75 748	56 847	50 504	51 620
Funded by:									
National Government	36 775	25 009	23 491	38 715	70 398	70 398	45 347	44 573	47 620
Provincial Government									
District Municipality									
Other transfers and grants									
Transfers recognised - capital	36 775	25 009	23 491	38 715	70 398	70 398	45 347	44 573	47 620
Public contributions & donations									
Borrowing									
Internally generated funds			2 319	5 351	5 351	5 351	11 500	5 931	4 000
Total Capital Funding	36 775	25 009	25 810	44 066	75 748	75 748	56 847	50 504	51 620

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2012/13 R 56 million has been allocated to capital budget, R 50 million in 2013/14 and R 51 million in 2014/15.
3. The capital programme is funded from capital grants and transfers, and internally generated funds from current year surpluses. For 2012/13, capital transfers totals R 45 million (80 percent), and R 47.2 million by 2014/15 (92 percent). Internally generated funding has been provided at R 11 million, R 5 million and R 4 million for each of the respective financial years of the MTREF.

Table 20 MBRR Table A6 - Budgeted Financial Position

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
ASSETS									
Current assets									
Cash	3	3 571	1 427	3 860	3 860	3 860	18 069	(369)	6 005
Call investment deposits	859	12 111	7 534	15 500	15 500	15 500	–	–	–
Consumer debtors	18 232	32 907	44 760	41 415	257 735	257 735	53 941	52 661	44 766
Other debtors			399				500	500	500
Current portion of long-term receivables	8 073	7 480		6 870	6 870	6 870	6 107	7 112	8 117
Inventory	1 986	2 025	1 540	2 400	2 400	2 400	2 975	2 622	2 388
Total current assets	29 153	58 094	55 660	70 045	286 365	286 365	81 592	62 527	61 776
Non current assets									
Long-term receivables									
Investments									
Investment property		6 050		5 999	5 999	5 999			
Investment in Associate									
Property, plant and equipment	14 442	29 200	46 220	29 200	29 200	29 200	73 836	91 870	105 067
Agricultural		3 125		3 125	3 125	3 125			
Biological									
Intangible							361	383	406
Other non-current assets									
Total non current assets	14 442	38 375	46 220	38 323	38 323	38 323	74 197	92 253	105 473
TOTAL ASSETS	43 595	96 468	101 880	108 368	324 688	324 688	155 789	154 779	167 248
LIABILITIES									
Current liabilities									
Bank overdraft	11 280								
Borrowing	1 601	421	1 716	2 118	2 118	2 118	655	550	430
Consumer deposits	2 383	3 272	2 542	3 000	3 000	3 000	2 500	2 200	3 500
Trade and other payables	37 148	58 934	90 997	35 515	35 515	35 515	78 007	72 267	77 539
Provisions	6 038	8 036	11 551	9 269	9 269	9 269	14 249	15 743	17 776
Total current liabilities	58 450	70 663	106 806	49 902	49 902	49 902	95 411	90 760	99 245
Non current liabilities									
Borrowing	5 480	4 037	2 276	1 665	1 665	1 665	2 595	2 525	1 895
Provisions	–	–	–	–	–	–	–	–	–
Total non current liabilities	5 480	4 037	2 276	1 665	1 665	1 665	2 595	2 525	1 895
TOTAL LIABILITIES	63 930	74 700	109 082	51 567	51 567	51 567	98 006	93 285	101 140
NET ASSETS	(20 335)	21 769	(7 202)	56 801	273 121	273 121	57 783	61 494	66 108
COMMUNITY WEALTH/EQUITY									
Accumulated Surplus/(Deficit)	(94 456)	(52 353)	(7 202)	(17 319)	199 001	199 001	57 782	61 494	66 108
Reserves	74 120	74 120	–	74 120	74 120	74 120	–	–	–
Minorities' interests									
TOTAL COMMUNITY WEALTH/EQUITY	(20 336)	21 767	(7 202)	56 801	273 121	273 121	57 782	61 494	66 108

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table 66 is supported by an extensive table of notes providing a detailed analysis of the major components of a number of items, including:
   - Call investments deposits;
   - Consumer debtors;
   - Property, plant and equipment;
   - Trade and other payables;
   - Provisions non current;
   - Changes in net assets; and
   - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 21 MBRR Table A7 - Budgeted Cash Flow Statement

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Ratepayers and other		288 128		274 054	264 706	264 706	276 525	291 734	307 779
Government - operating				72 824	71 511	71 511	84 124	89 658	97 292
Government - capital				38 715	68 201	68 201	45 347	44 573	47 620
Interest	2 046	450		536	818	818	11 966	11 966	11 966
Dividends									
Payments									
Suppliers and employees		(279 519)		(325 904)	(325 904)	(325 904)	(350 789)	(388 488)	(406 250)
Finance charges		(755)		(5 573)	(5 573)	(5 573)	(400)	(424)	(449)
Transfers and Grants							(2 504)	(2 569)	(2 678)
NET CASH FROM/(USED)	2 046	8 305	–	54 651	73 759	73 759	64 268	46 449	55 280
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE									
Decrease (Increase) in non-current debtors									
Decrease (increase) other non-current receivables									
Decrease (increase) in non-current investments									
Payments									
Capital assets			25 810		(75 748)	(75 748)	56 847	50 504	51 620
NET CASH FROM/(USED)	–	–	25 810	–	(75 748)	(75 748)	56 847	50 504	51 620
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Short term loans									
Borrowing long term/refinancing									
Increase (decrease) in consumer deposits									
Payments									
Repayment of borrowing				(44 066)			(2 900)	(2 245)	(1 655)
NET CASH FROM/(USED)	–	–	–	(44 066)	–	–	(2 900)	(2 245)	(1 655)
NET INCREASE/ (DECREA	2 046	8 305	25 810	10 586	(1 989)	(1 989)	118 215	94 708	105 245
Cash/cash equivalents at the year be		2 046	10 350					118 215	212 922
Cash/cash equivalents at	2 046	10 350	36 161	10 586	(1 989)	(1 989)	118 215	212 922	318 168

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of the municipality has improved significantly since 2008/09 to 2010/11
4. As part of the 2012/13 budget planning further interventions were implemented such as the reduction of expenditure allocations and rationalization of spending priorities.
5. In addition the municipality undertook an extensive debt collection drive. These interventions translated into cash and cash equivalents of R 118 million at year end 2012/13 financial year.
6. The 2012/13 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.

Table 22 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Cash and investments available									
Cash/cash equivalents at the year beg	2 046	10 350	36 161	10 586	(1 989)	(1 989)	117 263	211 971	317 217
Other current investments > 90 days	(12 464)	5 331	(27 199)	8 774	21 349	21 349	(99 194)	(212 340)	(311 212)
- Long-term receivables	–	–	–	–	–	–	–	–	–
Cash and investments available:	(10 418)	15 681	8 962	19 360	19 360	19 360	18 069	(369)	6 005
Application of cash and investments									
Unspent conditional grants	15 088	17 082	18 347	–	–	–	–	–	–
Unspent borrowing	–	–	–	–	–	–	–	–	–
Statutory requirements									
Other working capital requirements	22 061	(2 754)	52 195	(1 688)	(200 622)	(200 622)	14 093	10 030	20 592
Other provisions									
Long term investments committed	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments									
Total Application of cash and investme	37 149	14 328	70 542	(1 688)	(200 622)	(200 622)	14 093	10 030	20 592
Surplus(shortfall)	(47 567)	1 353	(61 580)	21 048	219 982	219 982	3 976	(10 399)	(14 587)

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. From the table it can be seen that for the period 2008/09 to 2012/13 the deficit deteriorated from R 47 million to a surplus of R3 million.
6. Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2012/13 MTREF was funded.
7. As part of the budgeting and planning guidelines that informed the compilation of the 2012/13 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

Table 23 MBRR Table A9 - Asset Management

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
CAPITAL EXPENDITURE									
Total New Assets	–	–	25 811	44 066	75 749	75 749	56 847	50 504	51 620
Infrastructure - Road transport	–	–	13 189	18 000	40 826	40 826	8 757	25 073	25 057
Infrastructure - Electricity	–	–	889	1 389	3 020	3 020	3 900	2 500	5 000
Infrastructure - Water	–	–	1 441	–	1 257	1 257	10 000	2 000	9 563
Infrastructure - Sanitation	–	–	229	7 350	7 350	7 350	7 701	12 000	12 000
Infrastructure - Other	–	–	–	7 976	7 149	7 149	6 944	1 931	–
Infrastructure	–	–	*15 748*	*34 715*	*59 602*	*59 602*	*37 302*	*43 504*	*51 620*
Community	–	–	7 744	4 000	14 147	14 147	13 045	7 000	–
Other assets	–	–	2 319	5 351	2 000	2 000	6 500	–	–
Total Capital Expenditure									
Infrastructure - Road transport	–	–	13 189	18 000	40 826	40 826	8 757	25 073	25 057
Infrastructure - Electricity	–	–	889	1 389	3 020	3 020	3 900	2 500	5 000
Infrastructure - Water	–	–	1 441	–	1 257	1 257	10 000	2 000	9 563
Infrastructure - Sanitation	–	–	229	7 350	7 350	7 350	7 701	12 000	12 000
Infrastructure - Other	–	–	–	7 976	7 149	7 149	6 944	1 931	–
Infrastructure	–	–	*15 748*	*34 715*	*59 602*	*59 602*	*37 302*	*43 504*	*51 620*
Community	–	–	7 744	4 000	14 147	14 147	13 045	7 000	–
Heritage	–	–	–	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–	–
Other assets	–	–	2 319	5 351	2 000	2 000	6 500	–	–
TOTAL CAPITAL EXPENDITURE -	–	–	25 811	44 066	75 749	75 749	56 847	50 504	51 620
ASSET REGISTER SUMMARY - PPE (WDV)									
Infrastructure - Road transport							31 345	38 628	45 120
Infrastructure - Electricity							2 720	3 770	4 820
Infrastructure - Water							6 070	6 920	10 795
Infrastructure - Sanitation							21 959	28 311	30 911
Infrastructure - Other							11 741	14 241	13 421
Infrastructure	–	–	–	–	–	–	*73 836*	*91 870*	*105 067*
Investment properties	–	6 050	–	5 999	5 999	5 999	–	–	–
Agricultural Assets	–	3 125	–	3 125	3 125	3 125	–	–	–
Intangible assets	–	–	–	–	–	–	361	383	406
TOTAL ASSET REGISTER SUMMA	–	9 175	–	9 124	9 124	9 124	74 197	92 253	105 473
EXPENDITURE OTHER ITEMS									
Depreciation & assets impaireme	–	–	–	–	–	–	12 000	5 000	5 000
Repairs and Maintenance by Ass	–	–	–	15 666	13 177	13 177	14 320	15 175	14 887
Infrastructure - Road transport	–	–	–	1 500	850	850	1 200	1 272	1 348
Infrastructure - Electricity	–	–	–	3 725	3 823	3 823	4 500	4 770	4 710
Infrastructure - Water	–	–	–	1 131	1 469	1 469	1 200	1 272	1 137
Infrastructure - Sanitation	–	–	–	848	687	687	600	636	500
Infrastructure	–	–	–	*7 204*	*6 829*	*6 829*	*7 500*	*7 950*	*7 695*
Community	–	–	–	65	65	65	60	64	67
Other assets	–	–	–	8 397	6 283	6 283	6 760	7 161	7 125
TOTAL EXPENDITURE OTHER ITE	–	–	–	15 666	13 177	13 177	26 320	20 175	19 887
Renewal of Existing Assets as % of	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Renewal of Existing Assets as % of	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
R&M as a % of PPE	*0.0%*	*0.0%*	*0.0%*	*53.7%*	*45.1%*	*45.1%*	*19.4%*	*16.5%*	*14.2%*
Renewal and R&M as a % of PPE	*0.0%*	*0.0%*	*0.0%*	*172.0%*	*144.0%*	*144.0%*	*19.0%*	*16.0%*	*14.0%*

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The Lekwa meets both these recommendations.
3. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the municipality's strategy to address the maintenance backlog.

Table 24 MBRR Table A10 - Basic Service Delivery Measurement

Description	2008/9	2009/10	2010/11	Current Year 2011/12		2012/13 Medium Term Revenue &		
	Outcome	Outcome	Outcome	Original Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1	Budget Year +2
Household service targets								
Water:								
Piped water inside dwelling	12 507	13 015	13 219	13 521	13 521	13 521	13 642	13 873
Piped water inside yard (but not in dwelling)	6 300	6 495	6 570	6 668	6 668	6 668	6 900	7 028
Using public tap (at least min.service level)	–	–	53					
Other water supply (at least min.service lev	624	624	624	624	624	624	624	624
Minimum Service Level and Above sub-total	19 431	20 134	20 466	20 813	20 813	20 813	21 166	21 525
Using public tap (< min.service level)								
Other water supply (< min.service level)								
No water supply								
Below Minimum Service Level sub-total	–	–	–	–	–	–	–	–
Total number of households	19 431	20 134	20 466	20 813	20 813	20 813	21 166	21 525
Sanitation/sewerage:								
Flush toilet (connected to sewerage)	19 431	20 134	20 440	20 813	20 813	20 813	21 166	21 525
Flush toilet (with septic tank)	–	–	–					
Chemical toilet	–	–	26					
Pit toilet (ventilated)	–	–	–					
Other toilet provisions (> min.service level)	–	–	–					
Using public tap (< min.service level)	19 431	20 134	20 466	20 813	20 813	20 813	21 166	21 525
Bucket toilet								
Other toilet provisions (< min.service level)								
No toilet provisions								
Total number of households	–	–	–	–	–	–	–	–
Sanitation/sewerage:	19 431	20 134	20 466	20 813	20 813	20 813	21 166	21 525
Energy:								
Electricity (at least min.service level)	11 651	10 534	8 596	8 143	8 143	8 143	8 281	8 421
Electricity - prepaid (min.service level)	7 780	9 600	11 870	12 670	12 670	12 670	12 885	13 104
Using public tap (< min.service level)	19 431	20 134	20 466	20 813	20 813	20 813	21 166	21 525
Electricity (< min.service level)								
Electricity - prepaid (< min. service level)								
Other energy sources								
Total number of households	–	–	–	–	–	–	–	–
Sanitation/sewerage:	19 431	20 134	20 466	20 813	20 813	20 813	21 166	21 525
Refuse:								
Removed at least once a week	18 366	18 684	18 936	19 183	19 813	19 183	19 456	19 786
Using public tap (< min.service level)	18 366	18 684	18 936	19 183	19 813	19 183	19 456	19 786
Removed less frequently than once a week								
Using communal refuse dump								
Using own refuse dump	1 065	1 450	1 530	1 630	1 630	1 630	1 710	1 739
Other rubbish disposal								
No rubbish disposal								

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The budget provides for 6 000 households to be registered as indigent in 2012/13, and therefore entitled to receiving Free Basic Services. The number is set to increase to 10 000 households given the rapid rate of in-migration to the municipality, especially by poor people seeking economic opportunities.
3. It is anticipated that these Free Basic Services will cost the municipality R 13.1 million in 2012/13, increasing to R 14.6 million in 2014/15. This is covered by the municipality's equitable share allocation from national government.

4. In addition to the Free Basic Services, the municipality also provides indigent households with R4.9 million in free services in 2012/13, and it increases to R 5.5 million in 2014/15.

Table 25 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

MP305 Lekwa - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)										
rategic Object	Goal	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year	Budget Year +1	Budget Year +2
Sustainable Services	Electricity	75 783	99 894	121 428	167 956	162 049	162 049	205 771	217 089	229 029
Sustainable Services	Water	32 473	25 150	17 069	31 344	27 043	27 043	28 340	29 899	31 543
Sustainable Services	Sanitation	15 684	16 756	18 041	19 296	19 296	19 296	22 473	23 709	25 013
Sustainable Services	Refuse removal	8 396	9 716	9 092	14 017	14 017	14 017	11 569	12 205	12 877
Government and Administration		53 991	157 498	115 759	138 480	131 457	131 457	141 261	148 778	158 499
Community & Public Safety		52 840	1 750	719	3 031	3 031	3 031	1 962	2 070	2 184
Economic & Environmental Services		2 811	5 020	3 373	4 317	4 317	4 317	6 309	6 656	7 027
Allocations to other priorities										
Total Revenue (excludin		241 978	315 784	285 481	378 441	361 209	361 209	417 686	440 406	466 172

Table 26 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

MP305 Lekwa - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

rategic Object	Goal	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year	Budget Year +1 2013/14	Budget Year +2 2014/15
Sustainable Services	Electricity	43 637	108 155	140 953	168 357	164 057	164 057	174 879	202 789	210 072
Sustainable Services	Water	11 191	18 504	14 964	15 770	13 611	13 611	14 753	13 834	13 751
Sustainable Services	Sanitation	7 045	9 218	8 879	6 826	5 686	5 686	4 587	4 950	5 063
Sustainable Services	Refuse removal	8 203	9 990	12 022	11 782	10 611	10 611	12 502	12 289	12 914
Government and Administration		253 052	81 237	58 960	99 289	91 239	91 239	138 629	124 725	125 295
Community & Public Safety		30 167	32 047	30 331	38 370	36 741	36 741	35 241	37 850	40 663
Economic & Environmental Services		19 158	14 530	22 339	22 695	22 097	22 097	22 774	24 588	26 353
Allocations to other priorities										
Total Expenditure		372 453	273 681	288 448	363 090	344 042	344 042	403 366	421 025	434 111

Table 27 MBRR Table SA7 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

MP305 Lekwa - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)

rategic Object	Goal	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue &		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year	Budget Year +1	Budget Year +2
Sustainable Services	Electricity	4 496	289	916	1 389	3 020	3 020	3 900	2 500	5 000
Sustainable Services	Water	4 393	–	1 441	–	1 257	1 257	10 000	2 000	9 563
Sustainable Services	Sanitation	4 311	3 708	229	4 000	9 050	9 050	7 701	12 000	12 000
Sustainable Services	Refuse removal	257	–	–	3 350	4 000	4 000	6 944	1 931	–
Government and Administration		4 689	1 057	779	5 351	2 001	2 001	6 500	–	–
Community & Public Safety		1 220	4 639	8 333	5 449	15 595	15 595	13 045	7 000	–
Economic & Environmental Services		17 408	15 316	14 113	24 527	40 827	40 827	8 757	25 073	25 057
Allocations to other priorities										
Total Capital Expenditure		36 775	25 009	25 810	44 066	75 748	75 748	56 847	50 504	51 620

Table 28 MBRR SA18 - Transfers and grant receipts

MP305 Lekwa - Supporting Table SA18 Transfers and grant receipts

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year	Budget Year +1	Budget Year +2
RECEIPTS:									
Operating Transfers and Grants									
National Government:	41 148	52 705	64 622	72 824	69 251	69 251	84 124	89 658	97 292
Local Government Equitable Share	39 445	50 103	62 872	69 959	67 211	67 211	79 068	84 915	92 081
Finance Management	500	750	1 000	1 250	1 250	1 250	1 250	1 500	1 750
Municipal Systems Improvement	735	750	750	790	790	790	800	870	950
LGSETA				825			1 265	536	569
Other transfers/grants [insert descr	468	1 102			–	–	1 741	1 836	1 943
Provincial Government:	–	200	–	–	–	–	–	–	–
Sport and Recreation		200							
Other transfers/grants [insert description]									
District Municipality:	–	–	–	–	–	–	–	–	–
[insert description]									
Other grant providers:	–	–	–	–	–	–	–	–	–
[insert description]									
Total Operating Transfers and Grants	41 148	52 905	64 622	72 824	69 251	69 251	84 124	89 658	97 292
Capital Transfers and Grants									
National Government:	27 136	50 087	25 830	38 715	66 766	66 766	45 782	44 573	47 620
Municipal Infrastructure Grant (MIG)	15 998	35 643	19 830	35 877	53 783	53 783	41 780	44 073	46 620
Intergrated Electrification Programme				1 389	1 389	1 389	500	500	1 000
Expanded Public Works Programme	1 660			1 449	1 449	1 449	1 757		
Neighbourhood Development Partne	9 478	14 444	6 000		10 146	10 146	1 745		
Other capital transfers/grants [insert description]									
Provincial Government:	–	–	–	–	–	–	–	–	–
District Municipality:	–	–	–	–	–	–	–	–	–
[insert description]									
Other grant providers:	–	–	–	–	–	–	–	–	–
[insert description]									
Total Capital Transfers and Grants	27 136	50 087	25 830	38 715	66 766	66 766	45 782	44 573	47 620
TOTAL RECEIPTS OF TRANSFERS &	68 284	102 992	90 452	111 539	136 017	136 017	129 906	134 230	144 913

Table 29 MBRR SA22 - Summary of councillor and staff benefits

MP305 Lekwa - Supporting Table SA22 Summary councillor and staff benefits								
Summary of Employee and Councillor remuneration	2008/9	2009/10	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year	Budget Year +1	Budget Year +2
Councillors (Political Office Bearers plus Other)								
Basic Salaries and Wages	2 806	2 526	6 296	5 431	5 431	4 982	5 380	5 811
Pension and UIF Contributions	601	750				879	949	1 025
Medical Aid Contributions	149	145						
Motor Vehicle Allowance	1 479	1 180	1 746	1 746	1 746	1 954	2 110	2 279
Cellphone Allowance	293	284	361	361	361	407	433	460
Housing Allowances								
Other benefits and allowances						53	58	62
Sub Total - Councillors	5 328	4 886	8 402	7 538	7 538	8 275	8 930	9 638
% increase		(8.3%)	–	(10.3%)	–	9.8%	7.9%	7.9%
Senior Managers of the Municipality								
Basic Salaries and Wages	3 676	2 591	4 499	4 499	4 499	12 876	13 906	15 019
Pension and UIF Contributions						1 448	1 564	1 690
Medical Aid Contributions						496	536	579
Motor Vehicle Allowance						2 058	2 223	2 400
Cellphone Allowance						88	95	103
Housing Allowances						66	72	77
Other benefits and allowances						752	812	877
Sub Total - Senior Managers of	3 676	2 591	4 499	4 499	4 499	17 785	19 208	20 744
% increase		(29.5%)	–	–	–	295.3%	8.0%	8.0%
Other Municipal Staff								
Basic Salaries and Wages	42 556	43 749	68 720	48 267	48 267	62 889	67 920	73 353
Pension and UIF Contributions	10 150	10 535	14 553	11 843	11 843	14 507	15 666	16 916
Medical Aid Contributions	3 831	3 969	4 765	4 992	4 992	4 251	4 591	4 958
Overtime	4 236	6 543	4 294	11 449	11 449	5 127	4 899	4 571
Motor Vehicle Allowance	2 720	2 791	2 867	2 910	2 910	1 051	1 095	1 141
Cellphone Allowance			441	598	598	51	55	58
Housing Allowances	513	457	279	400	400	155	168	181
Other benefits and allowances	4 373	5 869	9 137	9 087	9 087	7 572	8 145	8 797
Payments in lieu of leave						221	239	258
Long service awards						245	264	285
Sub Total - Other Municipal Sta	68 380	73 914	105 056	89 546	89 546	96 069	103 041	110 519
% increase		8.1%	–	(14.8%)	–	7.3%	7.3%	7.3%
Total Parent Municipality	77 384	81 390	117 957	101 583	101 583	122 128	131 179	140 901
		5.2%	–	(13.9%)	–	20.2%	7.4%	7.4%

Table 30 MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)

MP305 Lekwa - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/cou

Disclosure of Salaries, Allowances & Benefits 1. Rand per annum	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Councillors						
Speaker	324 025	60 421	145 908			530 354
Chief Whip	303 773	56 642	137 967			498 382
Executive Mayor	405 031	75 526	177 676			658 233
Deputy Executive Mayor						–
Executive Committee	607 546	113 283	275 934			996 763
Total for all other councillors	3 341 507	626 748	1 622 937			5 591 192
Total Councillors	4 981 883	932 620	2 360 421			8 274 924
Senior Managers of the Municipality						
Municipal Manager (MM)	1 000 000	30 000				1 030 000
Chief Finance Officer	794 683	19 410				814 093
EXECUTIVE MANAGER T	900 000	27 000				927 000
EXECUTIVE MANAGER C	727 972	21 839				749 811
EXECUTIVE MANAGER (D	883 418	19 410				902 828
MANAGER COMMUNITY	883 418	31 690				915 107
Total Senior Managers of t	5 189 490	149 349	–	–		5 338 838
A Heading for Each Entity						
List each member of board by designation						
						–
Total for municipal entities	–	–	–	–		–
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION	10 171 372	1 081 969	2 360 421	–		13 613 763

Table 31 MBRR SA25 - Budgeted monthly revenue and expenditure

MP305 Lekwa - Supporting Table SA25 Budgeted monthly revenue and expenditure

Description	Budget Year 2012/13												Medium Term Revenue and		
R thousand	July	Aug	Sept.	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Revenue By Source															
Property rates	3 074	3 074	3 074	3 074	3 074	3 074	3 074	3 074	3 074	3 074	3 074	3 074	36 885	38 913	41054
Property rates - penalties & collection charges												–	–	–	–
Service charges - electricity revenue	17 089	17 089	17 089	17 089	17 089	17 089	17 089	17 089	17 089	17 089	17 089	17 089	205 070	216 348	228 248
Service charges - water revenue	2 361	2 361	2 361	2 361	2 361	2 361	2 361	2 361	2 361	2 361	2 361	2 361	28 335	29 893	31537
Service charges - sanitation revenue	1873	1873	1873	1873	1873	1873	1873	1873	1873	1873	1873	1873	22 473	23 709	25013
Service charges - refuse revenue	963	963	963	963	963	963	963	963	963	963	963	963	11561	12 196	12 867
Service charges - other												–	–	–	–
Rental of facilities and equipment	71	71	71	71	71	71	71	71	71	71	71	71	852	898	948
Interest earned - external investments	68	68	68	68	68	68	68	68	68	68	68	68	818	818	818
Interest earned - outstanding debtors	1689	1689	1689	1689	1689	1689	1689	1689	1689	1689	1689	1689	20 269	20 269	20 269
Dividends received												–	–	–	–
Fines	131	131	131	131	131	131	131	131	131	131	131	131	1567	1653	1744
Licences and permits	375	375	375	375	375	375	375	375	375	375	375	375	4 494	4 741	5002
Agency services												–	–	–	–
Transfers recognised - operational	7010	7010	7010	7010	7010	7010	7010	7010	7010	7010	7010	7010	84 124	89 658	97 292
Other revenue	103	103	103	103	103	103	103	103	103	103	103	103	1240	1308	1380
Gains on disposal of PPE												–	–	–	–
Total Revenue (excluding capita	**34 807**	**34 807**	**34 807**	**34 807**	**34 807**	**34 807**	**34 807**	**34 807**	**34 807**	**34 807**	**34 807**	**34 807**	**417 686**	**440 406**	**466 172**
Expenditure By Type															
Employee related costs	9 488	9 488	9 488	9 488	9 488	9 488	9 488	9 488	9 488	9 488	9 488	9 488	113 854	122 248	131263
Remuneration of councillors	690	690	690	690	690	690	690	690	690	690	690	690	8 275	8 930	9 638
Debt impairment	3 340	3 340	3 340	3 340	3 340	3 340	3 340	3 340	3 340	3 340	3 340	3 340	40 081	30 000	25000
Depreciation & asset impairment	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	12 000	5000	5000
Finance charges	275	275	275	275	275	275	275	275	275	275	275	275	3 300	2 669	2 104
Bulk purchases	13 986	13 986	13 986	13 986	13 986	13 986	13 986	13 986	13 986	13 986	13 986	13 986	167 833	193 191	200 000
Other materials	248	248	248	248	248	248	248	248	248	248	248	248	2 975	2 622	2 388
Contracted services	1902	1902	1902	1902	1902	1902	1902	1902	1902	1902	1902	1902	22 818	21296	22 123
Transfers and grants	628	628	628	628	628	628	628	628	628	628	628	628	7 534	7916	8 360
Other expenditure	2 058	2 058	2 058	2 058	2 058	2 058	2 058	2 058	2 058	2 058	2 058	2 058	24 696	27 152	28 234
Loss on disposal of PPE												–	–	–	–
Total Expenditure	**33 614**	**33 614**	**33 614**	**33 614**	**33 614**	**33 614**	**33 614**	**33 614**	**33 614**	**33 614**	**33 614**	**33 614**	**403 366**	**421 025**	**434 111**
Surplus/(Deficit)	**1 193**	**1 193**	**1 193**	**1 193**	**1 193**	**1 193**	**1 193**	**1 193**	**1 193**	**1 193**	**1 193**	**1 193**	**14 320**	**19 381**	**32 061**
Transfers recognised - capital												–	–	–	–
Contributions recognised - capital												–	–	–	–
Contributed assets												–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	**1 193**	**1 193**	**1 193**	**1 193**	**1 193**	**1 193**	**1 193**	**1 193**	**1 193**	**1 193**	**1 193**	**1 193**	**14 320**	**19 381**	**32 061**
Taxation												–	–	–	–
Attributable to minorities												–	–	–	–
Share of surplus/ (deficit) of												–	–	–	–
Surplus/(Deficit)	**1 193**	**1 193**	**1 193**	**1 193**	**1 193**	**1 193**	**1 193**	**1 193**	**1 193**	**1 193**	**1 193**	**1 193**	**14 320**	**19 381**	**32 061**

Table 32 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)

MP305 Lekwa - Supporting Table SA29 Budgeted monthly capital expenditure (standard classification)

Description	Budget Year 2012/13												Medium Term Revenue and		
R thousand	July	Aug	Sept.	Oct	Nov.	Dec.	Jan	Feb.	Mar	Apr	May	June	Budget Year	Budget Year +1	Budget Year +2
Capital Expenditure - Standard															
Governance and administration	–	–	–	–	–	–	–	–	–	–	–	6 500	6 500	–	–
Executive and council												6 500	6 500	–	–
Budget and treasury office												–	–	–	–
Corporate services												–	–	–	–
Community and public safety	417	417	417	417	417	417	417	417	417	417	417	8 462	13 045	7 000	–
Community and social services	417	417	417	417	417	417	417	417	417	417	417	417	5 000	7 000	–
Sport and recreation												8 045	8 045	–	–
Public safety												–	–	–	–
Housing												–	–	–	–
Health												–	–	–	–
Economic and environmental se	730	730	730	730	730	730	730	730	730	730	730	730	8 757	25 073	25 057
Planning and development												–	–	–	–
Road transport	730	730	730	730	730	730	730	730	730	730	730	730	8 757	25 073	25 057
Environmental protection												–	–	–	–
Trading services	2 379	2 379	2 379	2 379	2 379	2 379	2 379	2 379	2 379	2 379	2 379	2 379	28 545	18 431	26 563
Electricity	325	325	325	325	325	325	325	325	325	325	325	325	3 900	2 500	5 000
Water	833	833	833	833	833	833	833	833	833	833	833	833	10 000	2 000	9 563
Waste water management	642	642	642	642	642	642	642	642	642	642	642	642	7 701	12 000	12 000
Waste management	579	579	579	579	579	579	579	579	579	579	579	579	6 944	1 931	–
Other												–	–	–	–
Total Capital Expenditure - Standard	3 525	3 525	3 525	3 525	3 525	3 525	3 525	3 525	3 525	3 525	3 525	18 070	56 847	50 504	51 620

Table 33 MBRR SA30 - Budgeted monthly cash flow

MP305 Lekwa - Supporting Table SA30 Budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2012/13												Medium Term Revenue and		
R thousand	July	August	Sept.	October	Nov	Dec	January	February	March	April	May	June	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Cash Receipts By Source													1		
Property rates	2 883	2 883	2 883	2 883	2 883	2 883	2 883	2 883	2 883	2 883	2 883	2 883	34 596	36 499	38 506
Property rates - penalties & collection charges												–			
Service charges - electricity revenue	15 195	15 195	15 195	15 195	15 195	15 195	15 195	15 195	15 195	15 195	15 195	15 195	182 345	192 374	202 955
Service charges - water revenue	2 299	2 299	2 299	2 299	2 299	2 299	2 299	2 299	2 299	2 299	2 299	2 299	27 585	29 102	30 702
Service charges - sanitation revenue	1536	1536	1536	1536	1536	1536	1536	1536	1536	1536	1536	1536	18 428	19 442	20 511
Service charges - refuse revenue	790	790	790	790	790	790	790	790	790	790	790	790	9 480	10 001	10 551
Service charges - other												–			
Rental of facilities and equipment	71	71	71	71	71	71	71	71	71	71	71	71	852	898	948
Interest earned - external investments	68	68	68	68	68	68	68	68	68	68	68	68	818	818	818
Interest earned - outstanding debtors	929	929	929	929	929	929	929	929	929	929	929	929	11 148	11 148	11 148
Fines	131	131	131	131	131	131	131	131	131	131	131	131	1567	1653	1744
Licences and permits	375	375	375	375	375	375	375	375	375	375	375	375	4 494	4 741	5002
Transfer receipts - operational	7010	7010	7010	7010	7010	7010	7010	7010	7010	7010	7010	7010	84 124	89 658	97 292
Other revenue	103	103	103	103	103	103	103	103	103	103	103	103	1240	1308	1380
Cash Receipts by Source	**31 390**	**31 390**	**31 390**	**31 390**	**31 390**	**31 390**	**31 390**	**31 390**	**31 390**	**31 390**	**31 390**	**31 390**	**376 676**	**397 642**	**421 557**
Other Cash Flows by Source															
Transfer receipts - capital	17 929				13 926				13 927			0	45 782	44 573	49 563
Total Cash Receipts by Source	**49 319**	**31 390**	**31 390**	**31 390**	**45 316**	**31 390**	**31 390**	**31 390**	**45 316**	**31 390**	**31 390**	**31 390**	**422 458**	**442 215**	**471 120**
Cash Payments by Type															
Employee related costs	9 488	9 488	9 488	9 488	9 488	9 488	9 488	9 488	9 488	9 488	9 488	9 488	113 854	122 248	131263
Remuneration of councillors	690	690	690	690	690	690	690	690	690	690	690	690	8 275	8 930	9 638
Finance charges	275	275	275	275	275	275	275	275	275	275	275	275	3 300	2 669	2 104
Bulk purchases - Electricity	13 690	13 690	13 690	13 690	13 690	13 690	13 690	13 690	13 690	13 690	13 690	13 690	164 284	191391	198 000
Bulk purchases - Water & Sewer	296	296	296	296	296	296	296	296	296	296	296	296	3 549	1800	2 000
Other materials	248	248	248	248	248	248	248	248	248	248	248	248	2 975	2 622	2 388
Contracted services	1902	1902	1902	1902	1902	1902	1902	1902	1902	1902	1902	1902	22 818	21296	22 123
Transfers and grants - other municipalities												–			
Transfers and grants - other	209	209	209	209	209	209	209	209	209	209	209	209	2 504	2 569	2 678
Other expenditure	2 065	2 065	2 065	2 065	2 065	2 065	2 065	2 065	2 065	2 065	2 065	16 385	39 096	42 426	43 241
Cash Payments by Type	**28 861**	**28 861**	**28 861**	**28 861**	**28 861**	**28 861**	**28 861**	**28 861**	**28 861**	**28 861**	**28 861**	**43 182**	**360 655**	**395 952**	**413 436**
Other Cash Flows/Payments by Type															
Capital assets	3 525	3 525	3 525	3 525	3 525	3 525	3 525	3 525	3 525	3 525	3 525	18 070	56 847	50 504	51620
Repayment of borrowing												–			
Other Cash Flows/Payments												–			
Total Cash Payments by Type	**32 386**	**32 386**	**32 386**	**32 386**	**32 386**	**32 386**	**32 386**	**32 386**	**32 386**	**32 386**	**32 386**	**61252**	**417 502**	**446 456**	**465 056**
NET INCREASE/(DECREASE) IN CASH HELD	**16 932**	**(997)**	**(997)**	**(997)**	**12 929**	**(997)**	**(997)**	**(997)**	**12 930**	**(997)**	**(997)**	**####**	**4 956**	**(4 241)**	**6 064**
Cash/cash equivalents at the month/year begin:		16 932	15936	14 939	13 942	26 871	25875	24 878	23 881	36 811	35814	34 818	–	4 956	715
Cash/cash equivalents at the month/year e	16 932	15936	14 939	13 942	26 871	25875	24 878	23 881	36 811	35814	34 818	4 956	4 956	715	6 778

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aims of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2011) a time schedule that sets out the process to revise the IDP and prepare the budget.

The IDP and Budget schedule of key deadlines was tabled before to consider and evaluate through the budget evaluation checklist, the budget process and consider a schedule of key deadlines for the preparation of the next financial year budget. During the same month the Administrator tabled in Council this schedule of key deadlines and the document was approved.

During April to May 2012 the Council will engaged into an outreach program to assess the needs of the community in all wards. All needs recorded were later prioritized and included in Council's draft Integrated Development Plan.

The Administrator in the process of preparing the budget made sure that various issues required by the Municipal Financial Management Act are addressed:

- Review of the IDP objectives and strategies;
- Review of the 2010/11 Service Delivery and Budget Implementation Plan(SDBIP);
- Review of the existing and compiling new budget-related policies;
- Consider the Macro and Micro economic climate and budget guidelines,
- requirements and growth parameters;

- Planning the Implementation of GFS classifications;
- Consider proposed tariff increase;
- Prioritize community needs in the IDP when drafting Capital Budget

On 29 March 2012 the draft budget and its supporting documents were tabled in Council for consideration, discussion and referral for community participation. After tabling, the draft 2012/13 budget, IDP and budget related policies as well as all other budget-related documents were published for public comments and inputs. All comments and submissions received were dealt with by the Administrator.

There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council.

2.1.2 IDP and Service Delivery and Budget Implementation Plan

The preparation of a FIVE-YEAR INTEGRATED DEVELOPMENT PLAN (IDP) by municipalities is a legislative requirement according to the Municipal Systems Act (MSA) Act No. 32 of 2000. Lekwa Local Municipality has embarked completed on this process in line with Chapter 5, Section 25, of the MSA.

It will be noted that, in terms of section 34 of the Local Government: Municipal Systems Act, No. 32 of 2000, all municipalities are required to review their Integrated Development Plans (IDP's) on an five year basis (and to the extent that changing circumstances, needs and demands) - in accordance with a prescribed process.

The annual review process thus relates to the assessment of the Municipality's performance against organizational objectives as well as implementation delivery, and also takes into cognizance any new information or change in circumstances that might have arisen subsequent to the adoption of the previous IDP. The review and amendment process must also adhere to the requirements for public participation as articulated to Chapter 4 of the MSA (2000).In terms of the IDP Review Guidelines, IDPs are reviewed based on 4 primary areas of intervention, i.e. Annual IDP Review, the IDP Process, Amendments in Response to Changing Municipal Circumstances, and Comment from the MEC. The process described and outlined in the flow chart below represents a continuous cycle of planning, implementation and review. Implementation commences after the Municipal Council adopts the initial IDP whilst Public Participation remains pivotal throughout the process of the IDP.

In terms of section 28 of the Local Government: Municipal Systems Act, No. 32 of 2000, all municipalities are required to adopt an IDP Review Plan. The municipality has complied with this requirement, with Council having to adopt a Process Plan (entitled Integrated Development Plan [IDP]: Process Plan for the IDP Review 2011/2012.

Once again the focus of the review has been on fine-tuning programmes and projects to align with:

1.1.1.1. New demands, most significantly the infrastructure maintenance expenditure demands;
1.1.1.2. Updating of statistical information;
1.1.1.3. Adjustment in targets as backlog figures are refined against the access modelling exercise;
1.1.1.4. The revised needs of communities and be categorized per ward with clearly defined problem statement reflecting key service delivery challenges
1.1.1.5. Clearly manifest as to how the community is consulted during the IDP process and measures taken by the Municipality in informing them to partake in the IDP process.
1.1.1.6. Refining of the Local Economic Development strategy
1.1.1.7. Reflect the availability of the SDF as the critical planning tool
1.1.1.8. Reflect the alignment of the Provincial Growth Development Strategy
1.1.1.9. National Spatial Development Perspective and Neighbourhood Development Partnership Grant (Urban Design Framework),

1.1.1.10. The commencement of the 2012/2016 IDP Review process was publicized following its approval by Council on November 2011.

1.1.1.11. PHASE 1 & 2: Implementation Monitoring, Review and confirmation of Development Priority Issues

1.1.1.11.1. Assess 2006/11 IDP Process/ Content
1.1.1.11.2. Council Approval & Advertisement of the IDP & Budget Process
1.1.1.11.3. Constitution of the IDP Structures: 1st IDP RF
1.1.1.11.4. Analysis, amendment and confirmation of Development issues from the 2006/11 IDP
1.1.1.11.5. Review and Confirm objectives and Strategies

1.1.1.12. PHASE 3 & 4 : Review, Amend/Confirm Objectives, Strategies and Projects

1.1.1.12.1. Prepare Draft IDP elements to include into the Draft Provincial 3 year MTEF's.
1.1.1.12.2. Provide project / priority inputs into the Provincial MTEF process (workshops / meetings/bi-laterals, etc.)
1.1.1.12.3. 2ND IDP RF to Review IDP documentation: Municipal identified aspects (i.e. Objectives, Strategies and Projects)
1.1.1.12.4. Input IDP Review Projects (alignment of IDP Review) to the Municipal budgeting process – ensure alignment.
1.1.1.12.5. Adoption of the 2012/16 Draft IDP:
1.1.1.12.6. 3rd IDP Representative Forum to Consider Draft IDP, and consolidated inputs from Provincial and National Departments
1.1.1.12.7. Convening of the Municipal Planning Alignment Summit
1.1.1.12.8. 21 Days advertisement for public comments
1.1.1.12.9. Public Participation
1.1.1.12.10. Ensure IDP, Budget and PMS alignment
1.1.1.12.11. Submit 2012/16 Draft IDP to Provincial COGTA for credibility assessments
1.1.1.12.12. Consider inputs from the 2011 IDP credibility assessments process
1.1.1.12.13. 4th IDP RF to Final confirmation and amendment of Sector Plans, programmes and projects

1.1.1.12.14. Executive Mayor table Final 2012/16 IDP before Council for approval
1.1.1.12.15. Submit a copy of the Finale 2012/16 IDP 10 days upon approval by Council to the MEC of Provincial COGTA.
1.1.1.12.16. Notify the Public of the approval of the Final 2011/12 IDP Budget by Council within 14 days upon approval

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2012/13 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2012/13 MTREF:

- municipal growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2011/12 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 51, 54, 58 & 59 has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

The draft 2012/13 MTREF as tabled before Council on 25 March 2012 for community consultation was published on the municipality's website, and hard copies were made available at customer care offices, municipal notice boards and various libraries. The electronic feedback was also communicated on the municipality's website as well as on Facebook "Budget Tips for Matshidiso".

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Ward Committees were utilised to facilitate the community consultation process from April 2012 to May 2012, and included 15 public briefing sessions. The applicable dates and venues were published in the local newspapers and on average attendance of 200 was recorded per meeting. Other stakeholders involved in the consultation included churches, non-governmental institutions and community-based organisations & organised business.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalisation of the 2012/13 MTREF. Feedback and responses

to the submissions received are available on request. The following are some of the issues and concerns raised as well as comments received during the consultation process:

- Several complaints were received regarding poor service delivery, especially waste removal backlogs and the state of road infrastructure;
- Poor performance of contractors relating to infrastructure development and maintenance especially in the areas of road construction and maintenance were raised;
- The affordability of tariff increases, especially electricity, was raised on numerous occasions. This concern was also raised by organized business as an obstacle to economic growth;
- Pensioners cannot afford the tariff increases due to low annual pension increases; and
- Other issues raised by Mpumalanga provincial treasury included:
    - o High revenue anticipated by the municipality
    - o Inadequate provision for bad debts

Significant changes effected in the final 2012/13 MTREF compared to the draft 2012/13 MTREF that was tabled for community consultation, include:

- The final Eskom bulk tariff increase, applicable to municipalities from 1 July 2012, was factored into the proposed consumer tariffs, applicable from 1 July 2012. This resulted in an increase of 11.03 per cent;
- Funding was allocated to address metering discrepancies and unmetered premises.

2.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2012/13 MTREF and further planning refinements that have directly informed the compilation of the budget:

IDP Strategic Objectives

Emanating from the situational analysis and the ANC manifesto of 2013-2016 undertaken towards the development of the IDP, the municipality identified a number of challenges and constraints which impact on the way the municipality functions and fulfils its mandate as per section 152 of the South African constitution. Challenges confronting the municipality include a declining revenue base and poor management of resources, inefficiencies that limit the manner in which the municipality interface with the communities, aging infrastructure due to truck haulage and deferred maintenance, structural inefficiencies that result in poor service delivery standards, low economic growth and high unemployment rate, vulnerable environmental assets and natural resources.

To address the identified challenges and work towards realization of the vision, the municipality has identified the following long- term strategic objective which will be known as **5 LLM's**;

1.1.1. LLM: 1 Build local economies to create more employment, decent work & sustainable livelihoods
1.1.2. LLM: 2 Improve service and broaden access to them
1.1.3. LLM: 3 Promote more active community participation in local government
1.1.4. LLM: 4 Ensure more effective, accountable and clean local government that works with
1.1.5. LLM: 5 Build more united, non-racial, integrated and safer communities

The municipality has aligned the key strategic objectives and will strive to attain them within the context of the five key local government performance areas:

The Key Development Objectives approach to Performance Management, However, the Municipal Systems Act no:32 of 2000 require that the Performance Management System represent the Municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement. In adopting this strategy, and in keeping with the Key Performance Areas indicated by the Department of Provincial and Local Government, the Key Development Objectives will be now be customized using the following five perspectives or Key Performance Areas:

1.1.6. Municipal Transformation and Organizational Development
1.1.7. Infrastructure Development and Service Delivery
1.1.8. Local Economic Development (LED)
1.1.9. Municipal Financial Viability and Management
1.1.10. Good Governance and Public Participation

2.2.1 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the municipality.

For the 2012/13 financial year 6 000 registered indigents have been provided for in the budget with this figured increasing to 10 000 by 2014/15. In terms of the Municipality's indigent policy registered households are entitled to 6kℓ fee water, 50 kwh of electricity, free sanitation and free waste removal once a week, as well as a discount on their property rates.

2.2.2 Providing clean water and managing waste water

Lekwa Local Municipality is the Water Services Authority for the entire municipality in terms of the Water Services Act, 1997 and acts as a water services provider. Lekwa Local Municipality is providing clean water from its own water sources, such as boreholes and dams.

The Department of Water Affairs conducts an annual performance rating of water treatment works, presenting a Blue Drop or Green Drop award respectively to potable water treatment works and waste water treatment works that meet certain criteria of excellence.

Lekwa Local Municipality has not yet been awarded the Blue Drop status and the Green Drop status because of the following challenges:

- The infrastructure at the waste water treatment works is old and insufficient to treat the increased volumes of waste water to the necessary compliance standard;
- Licensing of water plants
- Shortage of skilled personnel makes proper operations and maintenance difficult;

The following are some of the steps that have been taken to address these challenges:

- Infrastructure shortcomings are being addressed through the capital budget;
- The filling of vacancies has commenced and Lekwa Local Municipality and SETA will embark on an in-house training programme, especially for operational personnel;

2.3 Overview of budget related-policies

The municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

The following budget related policies were reviewed and are available on the municipality's website.

- Budget Policy;
- Indigent Policy (Basic Social Services Package) and

2.4 Overview of budget assumptions

This section of the budget report provides a summary of all principle and assumptions underlying the preparation of the budget and its proposals. Budgets are prepared in an environment of uncertainty and certain principles and assumptions need to be made about both internal and external factors that could impact on the budget during the course of the financial year.

2.4.1 External factors

I. Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Lekwa Municipality's finances.The labour market has shown signs of improvement over the past year, with total employment rising by 520 000 new jobs or 2.8 per cent between December 2010 and December 2011. Job creation has been in the formal private sector. The economy is projected to add 850 000 new jobs over the next three years, with 80 per cent of these in the private sector, lowering the unemployment rate to about 23 per cent in 2014.

II. The Council is committed to stringent budgeting policies and parameter through a budget that seeks to strike a balance between the development challenges of the poor areas and the need to maintain their infrastructure in established areas. The Council is also committed to ensuring that consultation on the budget take place as widely as possible and to achieve balanced budgets on an affordable basis now and in the future.

III. The Council is further committed to levying affordable tariff increases and in this regard we have once again managed to achieve single digit increases in Rates, Sewerage and Refuse Tariffs.The base assumption is that tariff increases will increase at a rate slightly higher that CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term. Cash flow is assumed to be 78 percent of billings, excluding an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow

once the performance has been carefully monitored. A collection rate for rates and basic services over the past 8 months is averaged at 77%. Based on the collection as indicated. The additional interventions planned, like replacement of old meters and the appointment of a new service provider to do meter reading will lead to continued improvements in credit control and enhancement of the payment levels.

IV. Debtor's revenue is assumed to increase at a rate that is influenced by the consumer debtor's collection rate, tariff/rate pricing, real growth rate of the Lekwa Local Municipality, household formation growth rate and the poor household change rate.

V. The Executive Mayor will keep record of all comments and submissions received and the steps taken to address most of the requests. Any adjustments resulting there from are done in preparation of the budget submission for approval by Council a month before the start of the new financial year.

VI. National Treasury advises that the medium term outlook for the South African economy remains positive with the inflation rate expected to stay within the target range of 3 to 6 percent. The inflation forecast (CPIX) announced for announced for 2012/13, 2013/14 and 2014/15 is 5.9%, 5.3% and 5.7% respectively. National Treasury set as guidelines parameters for the budget growth and these have been set at between 3% and 6% for the 2012/2013.The growth parameters apply to tariff increases for property rates, user and other charges raised by the municipalities, to ensure that all spheres of government support the nation macro-economic policies, unless it can be shown that external factors particular to the municipality concerned impact otherwise.

VII. Critical to the Council's ability to ensure full collection of assessment rates is the process of speeding up the transfer of deeds into individuals' names. The most recent years' 5%-7% growth factor was met as a whole with the provision of the main services, but assessment rates billed income lagged behind, due partly to the difficulties in completing transfer of ownership and as well as incorrect valuation roll.

VIII. Another key focus of the 2012/13 financial year is to ensure that, all Indigents are registered and approved. Currently the number of registered indigents is in the region of 2700 (households).

IX. The basic social package confirms the Municipality commitments to push back the frontiers of poverty by providing free basic services and also assists the municipality in meeting its constitutional obligations regarding the progressive realization of the social and economic rights of its residents.

- The first 6 KL of water is free to all residents
- The first 50 kWh of electricity is free to residents who are registered as indigents.
- The municipality also allows different rebates to different areas and categories of rate payers.
- The municipality also subsidies residents who are registered as indigents with regard to payment of other basic services and rates with the amount limited to R250 monthly.

X. The Eskom's price for bulk electricity purchases approved by NERSA will increase by13.5 % for 2012/2013 financial year. As no approval was granted by NERSA by the time this budget was prepared the 11.03% was allocated for electricity sales for 2012/13.

XI. Provision of 6.5 % increase or salaries increase is made, while waiting based on SALGA's multi-year collective agreement and about 8.5% increase has been provided for in the 2012/13 budget for Councillors remuneration. However it must be noted that the national increases to Public Office Bearers have not been gazetted.

2.4.2 General inflation outlook and its impact on the municipal activities

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.4.3 Salary increases

The municipalities and SALGBC are still negotiating a single or multiyear collective agreement, salary increases have been factored into this budget at a percentage increase of 6.5 per cent for the 2012/13 financial year. A provision has been made for an 8.5% estimated increase in salaries of councillors which still have to be announced in terms of the Public Office Bearers Act;

2.4.4 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.4.5 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 97 percent is achieved on operating expenditure and 100 percent on the capital programme for the 2012/13 MTREF of which performance has been factored into the cash flow budget.

2.5 Capital expenditure details

The following table's present details of the municipality's capital expenditure programme, firstly on the repair and maintenance of assets, and new assets.

Table 34 MBRR SA34c - Repairs and maintenance expenditure by asset class

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue &		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year	Budget Year +1	Budget Year +2
Repairs and maintenance expenditure by Asset Class/Sub-class									
Infrastructure	–	–	–	7 204	6 829	6 829	7 500	7 950	7 696
Infrastructure - Road transport	–	–	–	1 500	850	850	1 200	1 272	1 348
Roads, Pavements & Bridges									
Storm water				1 500	850	850	1 200	1 272	1 348
Infrastructure - Electricity	–	–	–	3 725	3 823	3 823	4 500	4 770	4 710
Generation				3 475	3 661	3 661	3 800	4 028	3 924
Transmission & Reticulation									
Street Lighting				250	162	162	700	742	787
Infrastructure - Water	–	–	–	1 131	1 469	1 469	1 200	1 272	1 137
Dams & Reservoirs				300	362	362	300	318	337
Water purification									
Reticulation				831	1 107	1 107	900	954	800
Infrastructure - Sanitation	–	–	–	848	687	687	600	636	500
Reticulation				848	687	687	600	636	500
Sewerage purification									
Infrastructure - Other	–	–	–	–	–	–	–	–	–
Waste Management									
Transportation									
Gas									
Other									
Community	–	–	–	65	65	65	60	64	67
Fire, safety & emergency				65	65	65	60	64	67
Other assets	–	–	–	7 839	5 946	5 946	6 399	6 778	6 719
General vehicles				3 293	2 441	2 441	2 465	2 608	2 498
Specialised vehicles	–	–	–	–	–	–	–	–	–
Plant & equipment									
Computers - hardware/equipment				205	205	205	200	212	225
Furniture and other office equipment				76	49	49	14	15	16
Abattoirs									
Markets									
Civic Land and Buildings									
Other Buildings				703	502	502	918	973	831
Other Land				445	446	446	476	505	535
Surplus Assets - (Investment or Inventory)									
Other				3 118	2 303	2 303	2 327	2 467	2 615
Intangibles	–	–	–	558	337	337	361	383	406
Computers - software & programming				558	337	337	361	383	406
Other *(list sub-class)*									
Total Repairs and Maintenance E	–	–	–	15 666	13 177	13 177	14 320	15 174	14 888

Table 62 MBRR: Detailed capital budget per municipal vote

LEKWA MUNICIPALITY PROPOSED THREE YEAR CAPITAL PLAN(2012/13 to 2014/15)				
Project Description	**F/S**	**Indicative 2012-2013**	**Indicative 2013-2014**	**Indicative 2014-2015**
	MIG			
Water-Treatment-works	MIG	R 4 000 000.00		
Water-Purification-works (Morgenzone)	MIG	R 1000 000.00		
Zoning of water-network in Lekwa & installation of	MIG	R 2 500 000.00		
Installation of water& sanitation services in Rooikopen	MIG	R 701438.00		
Upgrade of Sakhile substation	MIG	R 1400 000.00		
Upgrading of Substation for Waterpurification plant, CBD, Ext 1,6,7	MIG	R 1500 000.00		
Upgrading of sports-facilities in Lekwa	MIG	R 6 300 000.00		
Standerton Landfill Site	MIG	R 6 943 511.92		
Standerton Landfill Site	LLM		1931208	
Construction And Upgrade Of Stormwater Networks	MIG	R 2 000 000.00	5 000 000	5 000 000
Rehabilitation of tarred roads	MIG	R 5 000 000.00	7 272 000	8 000 000
Installation of Highmast Lights in lekwa	LLM	R -	2 000 000	4 000 000
Installation of Highmast Lights in lekwa	LLM	R 2 000 000.00		
Upgrading Of Standerton Sewer Treatment Works	MIG	R 5 000 000.00	10 000 000	10 000 000
Upgrading Of Gravel Roads To Paved Roads In Lekwa	MIG		12 000 000	14 000 000
Meyerville Water Networks	MIG	R -		7 563 000
Construction of Multi-Purpose Halls(W11,15)	MIG	R 5 000 000.00	7 000 000	
Installation of VIP toilets in Rural Areas	LLM	R 2 000 000.00	2 000 000	2 000 000
Installation of Boreholes in Rural Areas	LLM	R 1000 000.00	2 000 000	2 000 000
Electrification	INEP	R 500 000.00	500 000	1000 000
Expanded Public-Works Programme	EPWP	R 1757 000.00		
Sports and recreational facilities	NDPG	R 1745 000.00		
MIG-Unallocated	MIG		800 640	-1942 520
Other internal capital projects	LLM	R 6 500 000.00		
Totals		**R 56 846 949.92**	**50 503 848**	**51 620 480**

2.6 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

MFMA Implementation and Monitoring Checklist
The municipality is generally complying for the majority of the implementation priorities as per the National Treasury implementation and monitoring checklist. This checklist is updated quarterly and submitted to National Treasury. Below in Table 11 is a summary of progress against the plan

Table 12

No.	Implementation priority as per NT template	Progress
1	Preparing an implementation plan	50%
2	Allocating appropriate responsibilities under the MFMA to Accounting Officer	70%
3	Establishing a top (senior) management team	50%
4	Implementing appropriate controls over municipal bank accounts and cash management	100%
5	Meeting of financial commitments	100%
6	Reporting revenue and expenditure	60%
7	Supply chain management	80%
8	Implementing reforms in relation to municipal entities and long-term contracts	100%
9	Completing financial statements and advising National Treasury	100%
10	Completing and tabling annual report	75%
11	Complying with provisions for tender committees, boards of municipal entities and in relation to forbidden activities	80%
12	Complying with provisions for internal audit and audit committees	100%
13	Complying with provisions for budgets	80%
14	Information to be placed on website	90%

MFMA returns

Name of return	Submitted to
MONTHLY	
Financial Management Grant	NT/PT
Age Analysis Debtors (AD) and Creditors (AC), Cash Flow, Operating Statement Actual (OSB)	NT/PT
Section 71 Budget Statements	PT/NT
Supply Chain Management	NT/PT
MIG returns	NT/PT
MSIG	NT/PT
Conditional Grants returns NT/PT	
QUARTERLY	
MFMA Implementation and monitoring checklist	NT/PT
Municipal entities	NT/PT
Long-term contracts	NT/PT
Borrowing	NT/PT
ANNUALLY	
Budget tables return	NT/PT
Operating Statement Budget Cashflow Budget Budget Capital Acquisition Budget Evaluation Check list	NT/PT NT/PT NT/PT

Audit units and audit committees

The internal audit function of the municipality is now functional, but vacant positions in this section still needs to be filled. The municipality has an audit committee in place comprising of independent members as required by section 166 of the MFMA. The Audit Committee meets at least quarterly.

Tabling of section 71 reports

Section 71 reports are submitted to the Executive Mayor and also forwarded to National Treasury/Provincial treasury on a monthly basis.

Delegations

All delegations are not yet in place.

Performance agreements

The performance agreements for 2011/2012 has not yet been finalized, and SDBIP has been approved.
For the 2012/2013 financial year performance agreements must be signed timeously.

Risk management

The municipality have an updated risk management strategy and plan in place.

Implementation of SCM

The new supply chain management policy of the municipality, in line with the MFMA and national treasury prescripts, was adopted by council in October 2007. All bid committees as required by the SCM regulations are in place and the bid adjudication is chaired by the chief financial officer and operates within delegated powers.

Effectiveness of Budget steering committees

The budget steering committee has been established.

2.7 Municipal manager's quality certificate

I ……, municipal manager of Lekwa Local Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name _____

Municipal manager of Lekwa Local Municipality (MP305)

Signature _____

Date _____